
AMENDED AND RESTATED
STOCK AND ASSET PURCHASE
AGREEMENT

among
SPIEGEL, INC.
SPIEGEL CATALOG, INC.,
SPIEGEL PUBLISHING CO.,
SPIEGEL CATALOG SERVICES, LLC,
SPIEGEL GROUP TELESERVICES-CANADA, INC.
and
SPIEGEL CATALOG INTERNATIONAL LIMITED

Dated as of June 7, 2004

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- 1.01(b)(i) Form of U.S. Assumption Agreement
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- 1.01(c)(i) Form of U.S. Bill of Sale and Assignment
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- 1.01(d) Sellers' Knowledge
- 2.01(a)(xvi) Bank Accounts
- 2.03(b) Allocation of Purchase Price
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- A Confidentiality Agreement
- B Scheduling Order
- C Approval Order

AMENDED AND RESTATED STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of June 7, 2004, among Spiegel, Inc., a Delaware corporation ("Spiegel"), Spiegel Catalog, Inc. ("Catalog"), a Delaware corporation and a wholly owned subsidiary of Spiegel, Spiegel Publishing Co. ("Publishing"), an Illinois corporation and a wholly owned subsidiary of Spiegel, Spiegel Catalog Services, LLC ("LLC"), and together with Catalog and Publishing, the "U.S. Sellers"), an Ohio limited liability corporation whose sole member is Catalog, and Spiegel Group Teleservices-Canada, Inc. ("SGTS-Canada" or the "Canadian Seller"), an Ontario corporation and a wholly owned subsidiary of Spiegel (each of Catalog, Publishing, LLC and SGTS-Canada individually, a "Seller" and collectively, the "Sellers"), and Spiegel Catalog International Limited, a Bermuda company (the "U.S. Purchaser")."

RECITALS

WHEREAS, the U.S. Sellers are engaged in the business of selling women's apparel and other merchandise through a catalog entitled "Spiegel Catalog" and an e-commerce site (www.spiegel.com) (the "U.S. Business");

WHEREAS, the Canadian Seller provides call center services, including inbound sales, customer service and internet support for Catalog and other affiliates (the "Canadian Business"), and together with the U.S. Business, the "Business");

WHEREAS, Spiegel and certain of its direct and indirect subsidiaries, including each of the Sellers, are debtors in possession having commenced voluntary cases (Case No. 03-11540 (CB) Jointly Administered) (the "Chapter 11 Cases") in the Bankruptcy Court (as hereinafter defined) pursuant to chapter 11 of title 11, United States Code (the "Bankruptcy Code");

WHEREAS, Spiegel, the Sellers and the Purchaser entered into that certain Asset Purchase Agreement dated as of May 23, 2004 (the "Asset Purchase Agreement");

WHEREAS, SGTS-Canada and a Canadian Affiliate of Spiegel have filed cases (the "CCAA Cases") under the Companies' Creditors Arrangement Act in the Ontario Superior Court of Justice (the "Canadian Court");

WHEREAS, the U.S. Sellers and the U.S. Purchaser wish that the U.S. Sellers sell, assign, and transfer the Business to a Delaware corporation to be established by the Sellers ("Newco") after the date hereof and prior to the Closing (as hereinafter defined), and in connection therewith that the U.S. Sellers sell, assign and transfer all of the U.S. Purchased Assets (hereinafter defined) to Newco and cause Newco to assume from the U.S. Sellers all of the U.S. Assumed Liabilities (as hereinafter defined), all upon the terms and subject to the conditions set forth herein (the "Contribution");

WHEREAS, following the Contribution, the U.S. Sellers shall transfer all the issued and outstanding shares of capital stock of Newco consisting of shares of common stock with no par value (the "Newco Common Stock") to Spiegel;

WHEREAS, Spiegel wishes to sell, and the U.S. Purchaser wishes to purchase from Spiegel, all of the shares of the Newco Common Stock (the “Shares”), all upon terms and subject to the conditions set forth herein; and

WHEREAS, the Canadian Seller wishes to sell, assign and transfer to the Canadian Purchaser, and the Canadian Purchaser wishes to purchase and acquire from the Canadian Seller, the Canadian Business as a going concern, including, without limitation, the Canadian Purchased Assets (as hereinafter defined), and in connection therewith the Canadian Purchaser is willing to assume from the Canadian Seller all of the Canadian Assumed Liabilities (as hereinafter defined), all upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are acknowledged hereby, Spiegel, the Sellers and the Purchaser, intending to be legally bound, hereby amend and restate the Asset Purchase Agreement as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. For purposes of this Agreement:

“Action” means any claim, action, suit, arbitration, adversary proceeding, litigation, inquiry, proceeding or investigation, in each case by or before any Governmental Authority.

“Adjusted Closing Net Current Assets” has the meaning set forth in Section 2.13(a)(i)(B) of this Agreement.

“ADS Holdback” means the funds in a holdback account established and maintained pursuant to that certain Private Label Credit Card Program Agreement, dated May 2, 2003 by and between Spiegel, Catalog and World Financial Network National Bank.

“Affiliate” means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such specified Person.

“Agreement” has the meaning set forth in the preamble of this Agreement.

“Allocation” has the meaning set forth in Section 2.03(b) of this Agreement.

“Ancillary Agreements” means the Bills of Sale, the Assignments of Transferred Intellectual Property, the Transition Services Agreement and the Assumption Agreements.

“Approval Order” has the meaning set forth in Section 5.11(a) of this Agreement.

“Asset Purchase Agreement” has the meaning set forth in the recitals of this Agreement.

“Assignments of Transferred Intellectual Property” means the Assignment of U.S. Transferred Intellectual Property and the Assignment of Canadian Transferred Intellectual Property.

“Assignment of Canadian Transferred Intellectual Property” means the Assignment of Transferred Intellectual Property to be executed by the Canadian Seller at the Closing, substantially in the form of Exhibit 1.01(a)(ii).

“Assignment of U.S. Transferred Intellectual Property” means the Assignment of Transferred Intellectual Property to be executed by the U.S. Sellers at the Contribution Closing, substantially in the form of Exhibit 1.01(a)(i).

“Assumed Liabilities” has the meaning set forth in Section 2.02(a) of this Agreement.

“Assumption Agreements” means the U.S. Assumption Agreement and the Canadian Assumption Agreement.

“Auction” has the meaning set forth in Section 6.03(a) of this Agreement.

“Back-up Bid” has the meaning set forth in Section 6.03(e) of this Agreement.

“Back-up Bidder” has the meaning set forth in Section 6.06(a)(iii) of this Agreement.

“Bank Accounts” has the meaning set forth in Section 2.01(a)(xvi).

“Bankruptcy Code” has the meaning set forth in the recitals of this Agreement.

“Bankruptcy Court” means the United States Bankruptcy Court for the Southern District of New York or any other court having jurisdiction over the Chapter 11 Cases from time to time.

“Bid Deadline” has the meaning set forth in Section 6.01(c) of this Agreement.

“Bid Requirements” has the meaning set forth in Section 6.02(b) of this Agreement.

“Bidding Procedures” has the meaning set forth in Section 6.01 of this Agreement.

“Bidding Process” has the meaning set forth in Section 6.01(a) of this Agreement.

“Bills of Sale” means the U.S. Bill of Sale and the Canadian Bill of Sale.

“Business” has the meaning set forth in the recitals of this Agreement.

“Business Day” means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

“Canadian Approval Order” has the meaning set forth in Section 5.11(b) of this Agreement.

“Canadian Assumed Liabilities” has the meaning set forth in Section 2.02(a) of this Agreement.

“Canadian Assumption Agreement” means the Assumption Agreement to be executed by each of the Canadian Seller and the Canadian Purchaser at the Closing, substantially in the form of Exhibit 1.01(b)(ii).

“Canadian Bill of Sale” means the Bill of Sale and Assignment to be executed by the Canadian Seller at the Closing, substantially in the form of Exhibit 1.01(c)(ii).

“Canadian Business” has the meaning set forth in the recitals.

“Canadian Closing Date” has the meaning set forth in Section 2.13 of this Agreement.

“Canadian Court” has the meaning set forth in the recitals of this Agreement.

“Canadian Cure Costs” has the meaning set forth in Section 2.04(a) of this Agreement.

“Canadian Designated Contracts” has the meaning set forth in Section 2.04(a) of this Agreement.

“Canadian Purchased Assets” has the meaning set forth in Section 2.01(a) of this Agreement.

“Canadian Purchaser” means the U.S. Purchaser or any permitted assignee of the U.S. Purchaser designated by the U.S. Purchaser to acquire the Canadian Purchased Assets and assume the Canadian Assumed Liabilities.

“Canadian Seller” has the meaning set forth in the preamble of this Agreement.

“Catalog” has the meaning set forth in the preamble of this Agreement.

“CCAA Cases” has the meaning set forth in the third recital of this Agreement.

“Chapter 11 Cases” has the meaning set forth in the recitals of this Agreement.

“Closing” has the meaning set forth in Section 2.10 of this Agreement.

“Closing Date” has the meaning set forth in Section 2.10 of this Agreement.

“Closing Statement of Net Assets” has the meaning set forth in Section 2.13(a)(i)(A) of this Agreement.

“Committee” means the official committee of unsecured creditors appointed in the Chapter 11 Cases.

“Confidentiality Agreement” has the meaning set forth in Section 5.03(a) of this Agreement.

“Contract” means any written agreement, arrangement, understanding, lease or instrument or other contractual or similar arrangement.

“Contribution” has the meaning set forth in the recitals of this Agreement.

“Contribution Closing” has the meaning set forth in Section 2.07(a) of this Agreement.

“Contribution Closing Date” has the meaning set forth in Section 2.07(a) of this Agreement.

“control” (including the terms “controlled by” and “under common control with”), with respect to the relationship between or among two or more Persons, means the possession, directly, indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person whether through the ownership of voting securities, as trustee, personal representative or executor, or by contract, credit arrangement or otherwise.

“Conveyance Taxes” means all sales, use, value added, transfer, stamp, stock transfer, real property transfer Taxes and similar Taxes.

“Cure Costs” has the meaning set forth in Section 2.04(a) of this Agreement.

“Designated Amount” means an amount equal to Two Million Five Hundred Thousand Dollars (\$2,500,000).

“Designated Contracts” has the meaning set forth in Section 2.04(a) of this Agreement.

“DIP Loan Agreement” means that certain Amended and Restated Loan and Security Agreement approved on a final basis by the Bankruptcy Court on April 20, 2003, and dated as of May 2, 2003, among the financial institutions named therein, as the lenders, Bank of America, N.A., as the agent, Banc of America Securities LLC, as sole lead arranger and book manager, Fleet Retail Finance Inc. and the CIT Group/Business Credit, Inc., as co-syndication agents, Spiegel, Inc., Eddie Bauer, Inc., Spiegel Catalog, Inc., Ultimate Outlet Inc. and Newport

News, Inc., each as borrower and guarantor, and certain subsidiaries of Spiegel, Inc. party thereto, as amended or modified from time to time.

“Disclosure Schedule” means the Disclosure Schedule attached hereto, dated as of the date hereof and as amended or supplemented by Sellers pursuant to the terms hereof, delivered by the Sellers to the Purchaser in connection with this Agreement.

“Employee Plans” has the meaning set forth in Section 3.11(a) of this Agreement.

“Employees” has the meaning set forth in Section 3.11(a) of this Agreement.

“Employment Agreement” has the meaning set forth in Section 7.04 of this Agreement.

“Employment Offer” has the meaning set forth in Section 7.01 of this Agreement.

“Environmental Law” means any Law, in each case in effect as of the date hereof, relating to health, safety, pollution or protection of the environment.

“Environmental Liability” means any claim, demand, order, suit, obligation, liability, cost (including the cost of any investigation, testing, compliance or remedial action), consequential damages, loss or expense (including attorneys’ and consultants’ fees and expenses) arising out of, relating to or resulting from any Environmental Law or environmental, health or safety matter or condition, including natural resources, and related in any way to the Purchased Assets, the Business, this Agreement or its subject matter, in each case whether arising or incurred before, at or after the Closing.

“Environmental Permits” means any permit, approval, identification number, license and other authorization required under or issued pursuant to any applicable Environmental Law.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rules issued thereunder.

“Excluded Assets” has the meaning set forth in Section 2.01(b) of this Agreement.

“Excluded IP Agreements” has the meaning set forth in Section 3.08(d) of this Agreement.

“Excluded Liabilities” has the meaning set forth in Section 2.02(b) of this Agreement.

“Excluded Taxes” means (i) all Taxes relating to the Purchased Assets or the Business which, under the Bankruptcy Code, would be deemed to be Taxes that arose prior to the Closing Date, and (ii) all income Taxes of any kind or nature, regardless of when arising.

“Expense Reimbursement” has the meaning set forth in Section 6.04 of this Agreement.

“Financial Statements” has the meaning set forth in Section 3.04 of this Agreement.

“GAAP” means United States generally accepted accounting principles and practices in effect from time to time applied consistently throughout the periods involved.

“Good Faith Deposit” has the meaning set forth in Section 6.01(c) of this Agreement.

“Governmental Authority” means any foreign or United States federal, national, supranational, state, provincial, local or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“GST Legislation” has the meaning set forth in Section 5.10 of this Agreement.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“Independent Accounting Firm” has the meaning set forth in Section 2.13(b) of this Agreement.

“Intellectual Property” means (a) patents, patent applications, inventions disclosed therein, reissues, reexaminations, continuations and extensions, (b) trademarks, service marks, trade names, trade dress, domain names and internet protocol addresses, together with the goodwill associated exclusively therewith, (c) copyrights, including copyrights on computer software, (d) confidential and proprietary information, including trade secrets and know-how, (e) any other intellectual property rights of any kind or nature, (f) rights to sue and recover any damages and profits and other remedies for past, present and future infringements or misappropriations of the foregoing (a) through (e) and (g) registrations and applications for registration of and goodwill associated with any of the foregoing (a) through (e).

“Inventories” means all inventory, merchandise, goods in transit, finished goods, work-in-progress, samples or demonstration materials and raw materials to the extent related to the Business and maintained, held or stored by or for the Sellers, including all stationery, forms, labels, office supplies, production supplies, parts, advertising and promotional materials, packaging materials and other supplies or accessories related thereto not sold to customers, including, without limitation, all rights against suppliers of such inventories (including claims receivable for rejected inventory) as of the Closing in the case of the Canadian Seller, and as of the Contribution Closing in the case of the U.S. Sellers, and any prepayments or prepaid deposits for any of the same (including any of the foregoing owned by the Sellers but in the possession of manufacturers, suppliers or dealers or in transit or returned goods).

“IRS” means the Internal Revenue Service of the United States.

“Law” means any federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

“Leased Real Property” has the meaning set forth in Section 3.09 of this Agreement.

“Liabilities” means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, including those arising under any Law, Action or Governmental Order and those arising under any contract, agreement, arrangement, commitment or undertaking.

“Liens” means any mortgage, pledge, charge, security interest, encumbrance, lien (statutory or otherwise), conditional sale agreement, adverse claim or any other “interest in property” of every nature and kind, including, without limitation, as such term is used in section 363 of the Bankruptcy Code.

“LLC” has the meaning set forth in the preamble of this Agreement.

“Loss” has the meaning set forth in Section 9.01 of this Agreement.

“Material Adverse Effect” means any circumstance, change in or effect on the Business that is materially adverse to the results of operations, the condition (financial or otherwise), the Purchased Assets or cash flows of the Business, taken as a whole; provided, however, that none of the following, either alone or in combination, shall be considered in determining whether there has been a breach of a representation, warranty, covenant, agreement or condition that is qualified by the term “Material Adverse Effect”: (a) events, circumstances, changes or effects that generally affect the industries in which the Business operates (including legal and regulatory changes) other than as may have a materially disproportionate affect on the Business, except any action taken by Spiegel or any of its Affiliates in furtherance of the reorganization or liquidation of the assets or businesses not included in the Business, in the Chapter 11 Cases or otherwise; (b) general economic or political conditions or events, circumstances, changes or effects affecting the securities markets generally; (c) changes arising from the consummation of the transactions contemplated by, or the announcement of the execution of, this Agreement, including (i) any actions of competitors, (ii) any work slow downs or work stoppages by employees or losses of employees or (iii) any delays or cancellations of orders for products or services; (d) any reduction in the prices of services or products offered by the Business in response to the reduction in prices of comparable services or products offered by a competitor; (e) any circumstance, change or effect that results from any action taken pursuant to or in accordance with this Agreement or at the request of the Purchaser; and (f) changes caused by a material worsening of current conditions of the Business caused by acts of terrorism or war (whether or not declared) occurring after the date hereof.

“Material Contracts” has the meaning set forth in Section 3.13(a) of this Agreement.

“MBLY” has the meaning set forth in Section 3.15 of this Agreement.

“Newco” has the meaning set forth in the recitals to this Agreement.

“Newco Common Stock” has the meaning set forth in the recitals of this Agreement.

“New Waterford Lease” means that certain lease agreement dated as of January 20, 2004, entered into by and between New Waterford & District Economic Renewal Association and SGTS-Canada, together with a Non-Disturbance and Attornment Agreement dated as of January 20, 2004 and made between SGTS-Canada and Enterprise Cape Breton Corporation and approved by order of the Bankruptcy Court (Docket No. 1174) and the Canadian Court and the Incentive Agreement between Cape Breton Growth Fund Corporation and Spiegel Group Tele services-Canada, Inc. dated as of August 27, 2003.

“NNI Acquirer” means Pangea Acquisition 8 Limited or the Affiliate of Pangea Acquisition 8 Limited that shall have acquired the assets of Newport News, Inc., Newport News Services, LLC and new Hampton Realty Corp. pursuant to that certain Amended and Restated Asset Purchase Agreement dated as of May 14, 2004.

“NNI Asset Purchase Agreement” means that certain Amended and Restated Asset Purchase Agreement dated as of May 14, 2004 among Newport News, Inc. Newport News Services, LLC, New Hampton Realty Corp. and Pangea Acquisition 8 Limited, as such agreement may be amended from time to time.

“NNI Purchased Assets” means the Purchased Assets as defined in the NNI Asset Purchase Agreement

“Non-U.S. Employees” means Employees who are employed by SGTS-Canada.

“Non-U.S. Employee Plans” has the meaning set forth in Section 3.11(a) of this Agreement.

“Non-U.S. Offered Employees” has the meaning set forth in Section 7.01 of this Agreement.

“Non-U.S. Transferred Employees” has the meaning set forth in Section 7.01 of this Agreement.

“Obligations” has the meaning set forth in Section 5.17(a) of this Agreement.

“Offered Employees” has the meaning set forth in Section 7.01 of this Agreement.

“Ordinary Course of the Business” means the usual and ordinary operation of the respective Business consistent with past practice.

“Overbid Increment” has the meaning set forth in Section 6.03(d) of this Agreement.

“Person” means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

“Petition Date” means March 17, 2003.

“Potential Bidder” has the meaning set forth in Section 6.01(b) of this Agreement.

“Product Liabilities” means Liabilities with respect to any products designed, manufactured, tested, marketed, distributed or sold by the Sellers and exclusively related to the Business prior to the Closing in the case of the Canadian Seller and the Contribution Closing in the case of the U.S. Sellers.

“Publishing” has the meaning set forth in the preamble of this Agreement.

“Purchase Price” has the meaning set forth in Section 2.03(a) of this Agreement.

“Purchase Price Bank Account” means a bank account in the United States to be designated by the Sellers in a written notice to the Purchaser at least five Business Days before the Closing.

“Purchased Assets” has the meaning set forth in Section 2.01(a) of this Agreement.

“Purchaser” means the U.S. Purchaser and the Canadian Purchaser.

“Purchaser Indemnified Party” has the meaning set forth in Section 9.01 of this Agreement.

“Purchaser’s Accountants” has the meaning set forth in Section 2.13(a)(i)(C) of this Agreement.

“Purchaser’s Deposit” has the meaning set forth in Section 5.15 of this Agreement.

“Qualified Overbid” means a bid received from a Qualified Overbidder including all of the Required Bid Documents and meeting all of the Bid Requirements.

“Qualified Overbidder” has the meaning set forth in Section 6.01(b) of this Agreement.

“Receivables” means any and all accounts receivable (whether billed or unbilled), notes and other evidences of indebtedness and other amounts receivable from third parties, including but not limited to, Tax refunds, credits or similar benefits not attributable to Excluded Taxes and customers, to the extent arising from the conduct of the Business before the Closing in the case of the Canadian Seller, and as of the Contribution Closing in the case of the U.S. Sellers,

whether or not in the ordinary course, together with any unpaid financing charges accrued thereon.

“Reference Net Current Assets” means Twenty-Five Million, Four Hundred Thousand Dollars (\$25,400,000).

“Regulations” means the Treasury Regulations (including Temporary Regulations) promulgated by the United States Department of Treasury with respect to the Tax Code or other federal tax Laws.

“Required Bid Documents” has the meaning set forth in Section 6.02(a) of this Agreement.

“Sale Hearing” means the hearing at which the Auction takes place and at which the Sellers seek to have the Approval Order entered by the Bankruptcy Court.

“Scheduling Order” has the meaning set forth in Section 5.11(a) of this Agreement.

“Seller Indemnified Party” has the meaning set forth in Section 9.02 of this Agreement.

“Sellers” has the meaning set forth in the preamble of this Agreement.

“Sellers’ Accountants” has the meaning set forth in Section 2.13(b) of this Agreement.

“Sellers’ Balance Sheet” has the meaning set forth in Section 3.04 of this Agreement.

“Sellers’ 401(k) Plans” has the meaning set forth in Section 7.04 of this Agreement.

“Sellers’ Knowledge,” “Knowledge of the Sellers” or similar terms used in this Agreement, means the actual knowledge of the Persons listed in Exhibit 1.01(d) after reasonable inquiry and investigation.

“SGTS-Canada” has the meaning set forth in the preamble of this Agreement.

“Shares” has the meaning set forth in the recitals of this Agreement.

“Spiegel” has the meaning set forth in the preamble of this Agreement.

“Spiegel Name” means the name or the trademark “Spiegel”.

“Stock Transfer” has the meaning set forth in Section 2.07(b) of this Agreement.

“Successful Bid” has the meaning set forth in Section 6.06(3)(e) of this Agreement.

“Successful Bidder” has the meaning set forth in Section 6.06(a)(ii) of this Agreement.

“Tax” or “Taxes” means any and all taxes of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority.

“Tax Code” means the Internal Revenue Code of 1986, as amended through the date hereof.

“Tax Returns” means any and all returns, reports and forms (including elections, declarations, amendments, schedules, information returns or attachments thereto) required to be filed with a Governmental Authority with respect to Taxes.

“Transferred Employees” has the meaning set forth in Section 7.01 of this Agreement.

“Transferred Intellectual Property” means (i) all Intellectual Property owned by Spiegel or any subsidiary of Spiegel (other than the Sellers) that is also a debtor in the Chapter 11 Cases and used primarily in the Business and (ii) all Intellectual Property owned by the Sellers.

“Transferred IP Agreements” means the (i) licenses of Intellectual Property to the Sellers and (ii) licenses of Intellectual Property by the Sellers to third parties, in each case as set forth in Section 3.08(a)(ii) of the Disclosure Schedule.

“Transition Services Agreement” has the meaning set forth in Section 5.07 of this Agreement.

“U.S. Assumed Liabilities” has the meaning set forth in Section 2.02(a) of this Agreement.

“U.S. Assumption Agreement” means the Assumption Agreement to be executed by each of Newco and the U.S. Sellers at the Contribution Closing, substantially in the form of Exhibit 1.01(b).

“U.S. Bill of Sale” means the Bill of Sale and Assignment to be executed by the U.S. Sellers at the Contribution Closing, substantially in the form of Exhibit 1.01(c).

“U.S. Business” has the meaning set forth in the recitals of this Agreement.

“U.S. Cure Costs” has the meaning set forth in Section 2.04(a) of this Agreement.

“U.S. Designated Contracts” has the meaning set forth in Section 2.04 of this Agreement.

“U.S. Employees” means Employees of Catalog.

“U.S. Offered Employees” has the meaning set forth in Section 7.01 of this Agreement.

“U.S. Purchased Assets” has the meaning set forth in Section 2.01(a) of this Agreement.

“U.S. Purchaser” has the meaning set forth in the preamble of this Agreement.

“U.S. Sellers” has the meaning set forth in the preamble of this Agreement.

“U.S. Transferred Employees” has the meaning set forth in Section 7.01 of this Agreement.

SECTION 1.02. Interpretation and Rules of Construction. In this Agreement, except to the extent that the context otherwise requires:

(a) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated;

(b) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(c) whenever the words “include,” “includes” and “including” are used in this Agreement, they are deemed to be followed by the words “without limitation”;

(d) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(e) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;

(f) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

(g) references to a Person are also to its successors and permitted assigns;

(h) the use of “or” is not intended to be exclusive unless expressly indicated otherwise; and

(i) notwithstanding anything to the contrary contained in the Disclosure Schedule or in this Agreement, the information and disclosures contained in any section of the Disclosure Schedule shall be deemed to be disclosed and incorporated by reference in

any other section of this Agreement or the Disclosure Schedule as though fully set forth in such other section for which the applicability of such information and disclosure is reasonably apparent in the face of such information or disclosure.

ARTICLE II

PURCHASE AND SALE

SECTION 2.01. Purchase and Sale of Assets. (a) Upon the terms and subject to the conditions of this Agreement, (I) at the Contribution Closing, the U.S. Sellers shall sell, assign, transfer, convey and deliver, or cause to be sold, assigned, transferred, conveyed and delivered, to Newco, and Newco shall purchase from the U.S. Sellers free and clear of all Liens as set forth in the Approval Order (other than U.S. Assumed Liabilities), all of the U.S. Sellers' right, title and interest in and to all of the assets, rights, privileges, claims, U.S. Contracts (to the extent transferable) and properties of every kind, nature, character and description, real, personal and mixed, tangible and intangible, absolute or contingent, wherever located, used in or relating to the conduct of the U.S. Business, other than the Excluded Assets (collectively, the "U.S. Purchased Assets"), and (II) the Canadian Seller shall sell, assign, transfer, convey and deliver, or cause to be sold, assigned, transferred, conveyed and delivered, to the Canadian Purchaser, and the Canadian Purchaser shall purchase from the Canadian Seller free and clear of all Liens as set forth in the Canadian Approval Order (other than the Canadian Assumed Liabilities), all of the Canadian Seller's rights, title and interest in and to all of the assets, rights, privileges, claims, Canadian Contracts (to the extent transferable) and properties of every kind, nature, character and description, real, personal and mixed, tangible and intangible, absolute or contingent, wherever located, used in or relating to the conduct of the Canadian Business, other than the Excluded Assets (collectively, the "Canadian Purchased Assets"), and together with the U.S. Purchased Assets, the "Purchased Assets"; including, without limitation, as the case may be, the following:

- (i) the tangible personal property, owned by the Sellers or used exclusively by any of the Sellers in the conduct of the Business;
- (ii) the equipment, machinery and other tangible property, including all data and word processing equipment, computer software and hardware, fixtures, furniture and accessories, owned by any of the Sellers or used exclusively by any of the Sellers in the conduct of the Business;
- (iii) the Inventories;
- (iv) the Receivables;
- (v) the books of account, general, accounting, financial, tax and personnel records, invoices, shipping records, supplier lists, business plans, correspondence and other marketing and all other studies and documents, records and files and any rights thereto owned by any Seller or exclusively associated with or exclusively employed by any Seller in the conduct of the Business; provided, that to the extent any of the foregoing

items described in this clause (v) related to the Business and any other business of Spiegel and its Affiliates, Newco (with respect to the U.S. Purchased Assets) and the Canadian Purchaser (with respect to the Canadian Purchased Assets), shall be given copies of any such items;

(vi) the goodwill of each of the Sellers relating to the Business;

(vii) the Transferred Intellectual Property;

(viii) the catalogs, sales and promotional literature, customer lists and other sales-related materials of each of the Sellers, including merchandise certificates and gift certificates, owned by the Sellers or used exclusively by the Sellers in the Business (including all images owned by any of the Sellers and the Sellers' right and interest in licensed images);

(ix) the rights of each of the Sellers under the Designated Contracts, including but not limited to the Transferred IP Agreements and the New Waterford Lease (other than as excluded under Section 2.01(b)(xi));

(x) the equipment leases included in the Designated Contracts;

(xi) the unfilled sales orders and invoices relating to the Business which have been entered into on or prior to or after the date hereof and which are unfilled on the Contribution Closing Date (with respect to the U.S. Purchased Assets) and the Closing Date (with respect to the Canadian Purchased Assets);

(xii) the unfilled purchase orders and invoices entered into on or prior to or after the date hereof and which are unfilled on the Contribution Closing Date (with respect to the U.S. Purchased Assets) and the Closing Date (with respect to the Canadian Purchased Assets), including, without limitation, purchase commitments for materials and other services and personal property leases;

(xiii) any municipal, state, federal and international franchises, permits, licenses, agreements, waivers and authorizations solely to the extent held or used by any of the Sellers in connection with the Business to the extent transferable under applicable Law;

(xiv) all of the Business as a going concern;

(xv) all cash residing in any cash collateral account securing any obligation or contingent obligation of any Seller or any of their Affiliates, to the extent any such cash collateral secures an Assumed Liability;

(xvi) the cash in the bank accounts listed on Exhibit 2.01(a)(xvi) (collectively, the "Bank Accounts") and the Bank Accounts;

(xvii) all other assets, rights, privileges, claims, Contracts (to the extent transferable) and properties of every kind, nature, character and description, real, personal and mixed, tangible and intangible, absolute or contingent, wherever located, owned by the Sellers or used exclusively by the Sellers in the Business;

(xviii) all current and prior insurance policies of the Sellers and all rights of any nature with respect thereto, including all insurance recoveries thereunder and rights to assert claims with respect to any such insurance recoveries, to the extent the recoveries are to be received on or after the Contribution Closing Date (with respect to the U.S. Purchased Assets) and the Closing Date (with respect to the Canadian Purchased Assets) or the claims are made on or after the Contribution Closing Date (with respect to the U.S. Purchased Assets) and the Closing Date (with respect to the Canadian Purchased Assets); and

(xix) the ADS Holdback.

Notwithstanding the foregoing, if the parties fail to receive the Canadian Approval Order or the consents of the counterparties to the New Waterford Lease as of the Closing, then the assets and properties of SGTS-Canada and the New Waterford Lease shall not be included in the Sale and shall not be considered Purchased Assets. Instead, such assets and properties of SGTS-Canada and the New Waterford Lease shall be considered Excluded Assets for all purposes of this Agreement.

(b) Notwithstanding anything in Section 2.01(a) to the contrary, the Sellers shall not sell, convey, assign, transfer or deliver, nor cause to be sold, conveyed, assigned, transferred or delivered, to Newco (with respect to the U.S. Purchased Assets) or the Canadian Purchaser (with respect to the Canadian Purchased Assets), and neither Newco nor the Canadian Purchaser shall purchase, and neither the U.S. Purchased Assets nor the Canadian Purchased Assets shall include, the Sellers' right, title and interest to any of the following assets of the Sellers (the "Excluded Assets"):

(i) the Purchase Price Bank Account and the assets contained therein or the proceeds thereof;

(ii) except as set forth in Section 2.01(a)(xv) and (xvi), all cash and cash equivalents, securities and negotiable instruments of the Sellers on hand, in lock boxes, in financial institutions or elsewhere;

(iii) the claims of the Sellers in the litigation captioned In re Visa Check/MasterMoney Antitrust Litigation (a/k/a Wal-Mart Stores, Inc. et al. v. Visa U.S.A. Inc. and Master/Card International, Inc.), No. CV-96-5238 (U.S. D.C. for the Eastern District of New York);

(iv) any rights to Tax refunds, credits or similar benefits attributable to Excluded Taxes;

(v) the company seal, minute books, charter documents, stock or equity record books and such other books and records as pertain to the organization, existence or capitalization of the Sellers, as well as any other records or materials relating to the Sellers generally and not involving or related to the Purchased Assets or the operation of the Business;

(vi) any right, property or asset that is listed or described in Section 2.01(b)(vi) of the Disclosure Schedule;

(vii) all rights of the Sellers under this Agreement and the Ancillary Agreements;

(viii) all rights of the Sellers under the DIP Loan Agreement;

(ix) Tax Returns of the Sellers, other than those relating solely to the Purchased Assets or the Business; provided that the Purchaser shall be given copies of any such Tax Returns to the extent related to the Purchased Assets or the Business (other than Tax Returns in respect of income Taxes of any kind or nature);

(x) all current and prior insurance policies of the Sellers and all rights of any nature with respect thereto, including all insurance recoveries thereunder and rights to assert claims with respect to any such insurance recoveries to the extent not a Purchased Asset pursuant to Section 2.01(a)(xviii);

(xi) any Designated Contract and rights thereunder which, based upon the objection of a party to a Designated Contract other than a Seller or Sellers or any of their Affiliates, the Bankruptcy Court or the Canadian Court has determined shall not be assigned to Newco (with respect to the U.S. Purchased Assets) or the Canadian Purchaser (with respect to the Canadian Purchased Assets) under applicable provisions of the Bankruptcy Code or otherwise without the consent or approval of the other party thereto and such consent has not been obtained;

(xii) the membership interests in LLC that are held by Catalog;

(xiii) any rights, demands, claims, actions, including, without limitation, causes of action constituting avoidance actions or other claims of Sellers' estates under chapter 5 of the Bankruptcy Code; provided that with respect to any recoverable preference under section 547 of the Bankruptcy Code that would otherwise have to be paid as a Cure Cost hereunder, the Sellers agree not to pursue an Action against any third party to any Contract included in the Purchased Assets;

(xiv) except as provided in Article VII, all assets of any Employee Plan (or of any related trust or other funding vehicle) maintained by the Sellers;

(xv) the Excluded IP Agreements; and

(xvi) any Contracts of the Sellers that are not Designated Contracts.

(c) Upon the terms and subject to the conditions of this Agreement, at the Contribution Closing (with respect to the U.S. Purchased Assets) and the Closing (with respect to the Canadian Purchased Assets), Spiegel shall assign, transfer, convey and deliver, or cause to be assigned, transferred, conveyed and delivered, to Newco (with respect to the U.S. Purchased Assets) and the Canadian Purchaser (with respect to the Canadian Purchased Assets), and Newco (with respect to the U.S. Purchased Assets) and the Canadian Purchaser (with respect to the Canadian Purchased Assets) shall acquire from Spiegel free and clear of all Liens as set forth in the Approval Order and the Canadian Approval Order, all of Spiegel's right, title and interest in and to the Spiegel Name, including all trademarks, service marks, trade names, trade dress, domain names and internet protocol addresses together with the goodwill associated exclusively therewith, incorporating the Spiegel Name.

SECTION 2.02. Assumption and Exclusion of Liabilities. (a) Upon the terms and subject to the conditions set forth in this Agreement, (I) Newco shall, by executing and delivering at the Contribution Closing the U.S. Assumption Agreement, assume, and agree to pay, perform and discharge when due, the following enumerated Liabilities of the U.S. Sellers to the extent relating to the U.S. Business or the U.S. Purchased Assets other than the Excluded Liabilities set forth in Section 2.02(c) below (the "U.S. Assumed Liabilities"), and (II) the Canadian Purchaser or one of its Affiliates shall, by executing and delivering at the Closing the Assumption Agreement, assume, and agree to pay, perform and discharge when due, the following enumerated Liabilities of the Canadian Seller to the extent relating to the Canadian Business or the Canadian Purchased Assets other than the Excluded Liabilities set forth in Section 2.02(b) below (the "Canadian Assumed Liabilities"), and together with the U.S. Assumed Liabilities, the "Assumed Liabilities"):

(i) all accounts payable of the Sellers incurred by Sellers in the Ordinary Course of the Business but only to the extent accrued on the Closing Statement of Net Assets;

(ii) all Liabilities of the Sellers arising under, or relating to performance under, the Designated Contracts from and after the Contribution Closing Date (with respect to the U.S. Purchased Assets) the Closing Date (with respect to the Canadian Purchased Assets) and not excluded under Section 2.01(b)(xi), other than Cure Costs in respect thereof or otherwise excluded pursuant to Section 2.02(b)(xiii);

(iii) all Liabilities for product warranty service claims relating to products of the Business;

(iv) all Liabilities to customers for unfilled sales and purchase orders, invoices, and other commitments to customers to the extent related exclusively to the Business and incurred by the Sellers in the Ordinary Course of the Business and assigned to Newco or the Canadian Purchaser, as the case may be, pursuant to Section 2.01;

(v) all obligations for returns, credits, discounts, merchandise certificates, gift certificates and allowances relating to goods and products sold or orders accepted as of the Contribution Closing Date (with respect to the U.S. Purchase Assets) and the Closing

Date (with respect to the Canadian Purchased Assets) to the extent related exclusively to the Business and incurred by the Sellers in the Ordinary Course of the Business;

(vi) all Liabilities related to or arising out of any discount or loyalty club programs or similar programs to the extent related exclusively to the Business and incurred by the Sellers in the Ordinary Course of the Business;

(vii) all Taxes relating to the Purchased Assets or the Business other than Excluded Taxes;

(viii) all Liabilities related to the Transferred Employees incurred prior to the Contribution Closing Date (with respect to the U.S. Purchase Assets) and the Closing Date (with respect to the Canadian Purchased Assets) to the extent that the provisions of Article VII provide that Newco or the Canadian Purchaser, as the case may be, is to assume responsibility therefor;

(ix) all Liabilities arising out of or under the Employee Plans, including, without limitation, the Non-U.S. Employee Plans, but only if and to the extent assumed by Newco or the Canadian Purchaser, as the case may be, pursuant to Article VII; and

(x) all Liabilities under the New Waterford Lease arising after the Closing (provided, however, that if the parties shall fail to receive the Canadian Approval Order or the consents of the counterparties to the New Waterford Lease as of the Closing, then such Liabilities under the New Waterford Lease shall not be considered Canadian Assumed Liabilities but rather shall be considered Excluded Liabilities for all purposes of this Agreement).

(b) The Sellers shall retain, and shall be responsible for paying, performing and discharging when due, and neither Newco nor the Canadian Purchaser shall assume or have any responsibility for any Liabilities of any Seller or any of its Affiliates of any kind or nature (other than the Assumed Liabilities), including, without limitation, the following Liabilities (the “Excluded Liabilities”):

(i) all Liabilities in respect of the Excluded Taxes;

(ii) all Liabilities relating to or arising out of the Excluded Assets;

(iii) all Cure Costs;

(iv) the Sellers’ obligations under this Agreement and the Ancillary Agreements;

(v) all obligations of the Sellers under the DIP Loan Agreement;

(vi) all litigation claims against the Sellers arising pre-Contribution Closing (with respect to Newco) and pre-Closing (with respect to the Canadian Purchaser);

(vii) all intercompany Liabilities owing from any Seller to any other Seller or any of their respective Affiliates;

(viii) all Liabilities related to any Employee Plans or any employee benefit plans, agreements or arrangements not specifically assumed by Newco or the Canadian Purchaser pursuant to Article VII;

(ix) except for Newco's and the Canadian Purchaser's obligation to offer employment on the terms and conditions set forth in Section 7.01, all Liabilities related to any current or former employees of the Sellers who are not Transferred Employees and all Liabilities related to the Transferred Employees incurred prior to the Contribution Closing Date (with respect to U.S. Transferred Employees) and the Closing Date (with respect to Non-U.S. Transferred Employees) except to the extent assumed by Newco or the Canadian Purchaser pursuant to Section 2.02(a)(ix);

(x) all Liabilities under any of the Sellers' severance plans or with respect to any severance payments to be made to any Employee who does not become a Transferred Employee;

(xi) any costs or expenses incurred in connection with or related to the administration of the Chapter 11 Cases, including professional fees or expenses of any of the Seller's or the Committee's attorneys, accountants or other professional advisors;

(xii) any Liabilities for indebtedness for borrowed money of any kind or nature;

(xiii) any pre-Contribution Closing (with respect to Newco) or pre-Closing (with respect to the Canadian Purchaser) litigation claim or assessment, breach of Contract, tort, infringement, violation of Law or environmental matters of any Seller or any of its Affiliates arising from any facts, events or circumstances arising on or prior to the Contribution Closing Date or the Closing, as the case may be, in each case, of any kind or nature whatsoever and whether related to the Purchased Assets or the Business or otherwise and regardless of when commenced;

(xiv) all Environmental Liabilities; and

(xv) all Product Liabilities (except as specified in Section 2.02(a)(v)).

SECTION 2.03. Purchase Price; Allocation of Purchase Price. (a) Subject to the adjustments set forth in Section 2.13, the purchase price for the Shares, the Canadian Purchased Assets and the Canadian Assumed Liabilities shall be Two Million Dollars (\$2,000,000) in cash (the "Purchase Price").

(b) The sum of the Purchase Price and the Canadian Assumed Liabilities shall be allocated among the Shares and the Canadian Purchased Assets as of the Closing Date in accordance with Exhibit 2.03(b) (the "Allocation"). Any subsequent adjustments to the sum of the Purchase Price and Canadian Assumed Liabilities shall be reflected in the Allocation in a manner consistent with section 1060 of the Tax Code and the Regulations thereunder. For all

Tax purposes, the Purchaser and the Sellers agree that the transactions contemplated by this Agreement shall be reported in a manner consistent with the terms of this Agreement, including the Allocation, and that neither of them will take any position inconsistent therewith in any Tax Return, refund claim, litigation, or otherwise. Each of the Sellers and the Purchaser agrees to cooperate with the other in preparing IRS form 8594 and to furnish the other with a copy of such form prepared in draft form within a reasonable period before its filing due date.

SECTION 2.04. Contract Assumption. (a) Section 2.04(a) of the Disclosure Schedule sets forth a list of all executory Contracts and unexpired leases to which (i) one or more of the U.S. Sellers are party and which are to be included in the Purchased Assets (the “U.S. Designated Contracts”), and (ii) the Canadian Seller is party and which are to be included in the Purchased Assets (the “Canadian Designated Contracts”, and together with the U.S. Designated Contracts, the “Designated Contracts”). From and after the date hereof until the Sale Hearing, the Sellers shall make such deletions to Section 2.04 of the Disclosure Schedule as the Purchaser shall request in writing and shall give to counsel to the Committee prompt notice of any such deletion; provided however, that the Sellers shall not be required to delete any Designated Contract that was entered into later than the Petition Date; provided further that the Purchaser shall pay to the Sellers any damage claim associated with the rejection of such Contract in excess of the Cure Costs associated with such Contract. Any such deleted Contract shall be deemed to no longer be a Designated Contract. At the Contribution Closing, subject to the approval of the Bankruptcy Court, and except to the extent any such Designated Contracts are deemed Excluded Assets by virtue of Section 2.01(b)(xi) above, the U.S. Sellers shall assume and then assign to Newco, and Newco shall assume from the U.S. Sellers, the U.S. Designated Contracts. At the Closing, subject to the approval of the Canadian Court, and except to the extent any such Canadian Designated Contracts are deemed Excluded Assets by virtue of Section 2.01(b)(xi) above, the Canadian Seller shall assume and then assign to the Canadian Purchaser, and the Canadian Purchaser shall assume from the Canadian Seller, the Canadian Designated Contracts. If the Closing does not occur as set forth in Section 2.10, the U.S. Designated Contracts shall be transferred from Newco to the U.S. Sellers as if such U.S. Designated Contracts had not been assumed and assigned by the U.S. Sellers to Newco. The U.S. Sellers shall make provision for the payment of, and be responsible for and bear, the cure and reinstatement costs and expenses for services rendered before the Contribution Closing Date (collectively, the “U.S. Cure Costs”) and relating to the assumption and assignment of the U.S. Designated Contracts. The Canadian Seller shall make provision for the payment of, and be responsible for and bear, the cure and reinstatement costs and expenses for services rendered before the Closing Date (collectively, the “Canadian Cure Costs”, and together with the U.S. Cure Costs, the “Cure Costs”) and relating to the assumption and assignment of the Canadian Designated Contracts. The Purchaser (on its behalf and on behalf of Newco) shall provide such support for and evidence of adequate assurance of future performance in connection with the approval by the Bankruptcy Court or, if applicable, the Canadian Court of the assumption and assignment of the Designated Contracts.

(b) From and after the Contribution Closing (with respect to the U.S. Designated Contracts) and the Closing (with respect to the Canadian Designated Contracts) and until the date of entry of an order by the Bankruptcy Court rejecting a Contract that is deemed to be an Excluded Asset by operation of Section 2.01(b)(xi), the Sellers shall use commercially reasonable efforts to procure the consent of the counter-party to such Contract; provided that the

Purchaser shall be responsible for any cost or other payments payable to the counter-party to such Contract in excess of the Cure Costs associated with such Contract and related to procuring such consent. Upon obtaining such consent such Contract shall be deemed to be a Designated Contract and the Sellers shall take commercially reasonable efforts to assign such Contract to Newco (with respect to the U.S. Designated Contracts) and the Canadian Purchaser (with respect to the Canadian Designated Contracts).

SECTION 2.05. Cure Costs. Other than by written agreement of the Purchaser, the satisfaction of any and all Cure Costs is and shall remain the obligation of the Sellers, and neither Newco nor the Purchaser shall have any responsibility therefor, whether to any third party or otherwise. The Sellers are responsible for the verification of all Cure Costs, including all administrative responsibilities associated therewith, and shall use their reasonable best efforts to establish the proper Cure Costs, if any, for each Designated Contract, including the filing and prosecution of any and all appropriate proceedings in the Bankruptcy Court or, if applicable, the Canadian Court. Notwithstanding any provision in this Agreement to the contrary, from and after the date hereof through the Closing Date: (i) the Sellers will not reject, without prior consent of the Purchaser, any Designated Contract, (ii) the Sellers will consult with the Purchaser and obtain the prior written consent of the Purchaser (not to be unreasonably withheld) with respect to the modification or restructuring of any Designated Contract and (iii) the Sellers will consult with the Purchaser and obtain the prior written consent of the Purchaser (not to be unreasonably withheld) with respect to entering in to any new Contracts (and any such new Contract shall be deemed to be a Designated Contract).

SECTION 2.06. Amounts Due Under Designated Contracts. From and after the Contribution Closing (in the case of Newco) and the Closing (in the case of the Canadian Purchaser), Newco or the Canadian Purchaser, as the case may be, shall be obligated to pay all amounts for services rendered and goods provided, in each case, from and after the applicable Closing, under the applicable Designated Contracts in accordance with the terms and conditions of all such Designated Contracts. Any amounts for services rendered, and goods provided under the Designated Contracts during the period until the Contribution Date (in the case of Newco) and the Closing Date (in the case of the Canadian Purchaser) shall not be a Liability of Newco or the Canadian Purchaser, as the case may be, (unless such amounts are specifically included in the Assumed Liabilities and taken into account in calculating the Adjusted Closing Net Current Assets).

SECTION 2.07. Contribution Closing; Stock Transfer. (a) Subject to the terms and conditions of this Agreement, the sale and purchase of the U.S. Purchased Assets and the assumption of the U.S. Assumed Liabilities contemplated by this Agreement shall take place at a closing (the "Contribution Closing") to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York at 10:00 a.m. New York time on the first Business Day immediately following the satisfaction or waiver of the conditions to the obligations of the parties hereto set forth in Article VIII or at such other time or on such other date as the Sellers and the Purchaser may mutually agree upon in writing (the date of the Contribution Closing being herein referred to as the "Contribution Closing Date"). The Contribution Closing shall be effective as of 12:01 a.m. on the Contribution Closing Date.

(b) Notwithstanding anything herein to the contrary, the Canadian Purchased Assets shall not be sold or transferred under this Agreement except subject to the Canadian Approval Order.

(c) The transfer of the Shares from the U.S. Sellers to Spiegel (the “Stock Transfer”) shall take place at a closing to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York immediately following the Contribution Closing or on such other date as the Sellers and the Purchaser may mutually agree upon in writing. The Stock Transfer shall be effective as of 12:01 a.m. on the day of the Stock Transfer.

(d) The effectiveness of the Contribution Closing and the Stock Transfer are subject to and conditioned upon the effectiveness of the Closing.

SECTION 2.08. Contribution Closing Deliveries by the U.S. Sellers. At the Contribution Closing, the U.S. Sellers shall deliver or cause to be delivered to Newco:

(a) the U.S. Bill of Sale, the Assignment of U.S. Transferred Intellectual Property and such other instruments, in form and substance reasonably satisfactory to the Purchaser, as may be reasonably requested by the Purchaser to effect the transfer of the U.S. Purchased Assets to Newco or evidence such transfer on the public records, in each case duly executed by the U.S. Sellers;

(b) executed counterparts of the U.S. Assumption Agreement; and

(c) executed counterparts of each other Ancillary Agreement (including the Transition Services Agreement) to which any of the U.S. Sellers is a party (other than the Ancillary Agreements delivered pursuant to Section 2.08(a) and (b)).

SECTION 2.09. Contribution Closing Deliveries by Newco. At the Contribution Closing, the U.S. Sellers shall cause Newco to deliver to the U.S. Sellers:

(a) stock certificates evidencing the Shares;

(b) executed counterparts of the U.S. Assumption Agreement, the Assignment of U.S. Transferred Intellectual Property and such other instruments, in form and substance reasonably satisfactory to the Sellers, as may be requested by the Sellers to effect the assumption by Newco of the U.S. Assumed Liabilities and to evidence such assumption on the public records; and

(c) executed counterparts of each of the Ancillary Agreements (other than the Ancillary Agreements delivered pursuant to Section 2.09(b)), including the Transition Services Agreement, to which Newco is a party.

SECTION 2.10. Closing. Subject to the terms and conditions of this Agreement, the sale and purchase of the Shares and the Canadian Purchased Assets and the assumption of the Canadian Assumed Liabilities contemplated by this Agreement shall take place at a closing (the “Closing”) to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New

York, New York immediately following the Stock Transfer or on such other date as the Sellers and the Purchaser may mutually agree upon in writing (the date of the Closing being herein referred to as the “Closing Date”). The Closing shall be effective as of 12:01 a.m. on the Closing Date.

SECTION 2.11. Closing Deliveries by Spiegel and the Canadian Seller. At the Closing, Spiegel and the Canadian Seller shall deliver or cause to be delivered to the Purchaser:

(a) stock certificates evidencing the Shares duly endorsed in blank, or accompanied by stock powers duly executed in blank and with all required stock transfer tax stamps affixed;

(b) the Canadian Bill of Sale, the Assignment of Canadian Transferred Intellectual Property and such other instruments, in form and substance reasonably satisfactory to the Purchaser, as may be reasonably requested by the Purchaser to effect the transfer of the Canadian Purchased Assets to the Canadian Purchaser or evidence such transfer on the public records, in each case duly executed by the Canadian Seller;

(c) executed counterparts of the Canadian Assumption Agreement; and

(d) executed counterparts of each other Ancillary Agreement (including the Transition Services Agreement) to which the Canadian Seller is a party (other than the Ancillary Agreements delivered pursuant to Section 2.11(b) and (c)).

(e) a receipt for the Purchase Price;

(f) a certificate of the secretary or an assistant secretary of each of Spiegel, the Sellers and Newco certifying the names and signatures of the officers of each of Spiegel, the Sellers and Newco authorized to sign this Agreement, each of the Ancillary Agreements and any other documents to be delivered hereunder and thereunder to which such Person is a party;

(g) a certificate of a duly authorized officer of each of the Sellers certifying to the matters set forth in Section 8.02(a);

(h) all such other instruments and documents as the U.S. Purchaser or the U.S. Purchaser’s counsel may reasonably request to evidence or consummate the transactions contemplated by this Agreement; and

(i) the corporate name change documents contemplated by Section 5.13.

(j) a statement of unfilled sales orders, purchase orders and outstanding checks in an amount equal to or greater than \$1,000 relating to the U.S. Business as of 12:00 p.m. noon (prevailing Eastern Time) on the U.S. Business Day prior to the Closing Date;

SECTION 2.12. Closing Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver to Spiegel and the Canadian Seller:

(a) the Purchase Price, by wire transfer of immediately available funds to the Purchase Price Bank Account;

(b) executed counterparts of the Canadian Assumption Agreement, the Assignment of Canadian Transferred Intellectual Property and such other instruments, in form and substance reasonably satisfactory to the Sellers, as may be requested by the Sellers to effect the assumption by the Canadian Purchaser of the Canadian Assumed Liabilities and to evidence such assumption on the public records;

(c) executed counterparts of each of the Ancillary Agreements (other than the Ancillary Agreements delivered pursuant to Section 2.12(b)), including the Transition Services Agreement, to which the Purchaser is a party;

(d) a true and complete copy, certified by the secretary or an assistant secretary of the Purchaser, of the resolutions duly and validly adopted by the board of directors of the Purchaser evidencing its authorization of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby;

(e) a certificate of the secretary or an assistant secretary of the Purchaser certifying the names and signatures of the officers of the Purchaser authorized to sign this Agreement and any other documents to be delivered hereunder; and

(f) a certificate of a duly authorized officer of the Purchaser certifying as to the matters set forth in Section 8.01(a).

SECTION 2.13. Post-Closing Adjustment of Purchase Price. The Purchase Price shall be subject to adjustment as specified in this Section 2.13 as follows:

(a) Closing Statement of Net Assets. (i) As promptly as practicable, but in any event within 75 days following the Closing Date, the Purchaser shall, in consultation with the Sellers, prepare and deliver to the Sellers (in each case prepared in accordance with GAAP and, to the extent consistent with GAAP, on a basis consistent with and utilizing the historical principles, practices and policies of the Business):

(A) an unaudited consolidated statement of net assets of the Business (including reasonably necessary schedules thereto), dated as of the Closing Date (the "Closing Statement of Net Assets"), based solely on the operations of the Business through the Closing Date;

(B) a statement of current assets less current Liabilities of the Business, as set forth on the Closing Statement of Net Assets and as adjusted as set forth in Section 2.13(a)(ii) (as so adjusted, "Adjusted Closing Net Current Assets"); and

(C) a certificate of the Purchaser's accountants (the "Purchaser's Accountants"), stating that the Closing Statement of Net Assets delivered pursuant to Section 2.13(a)(i)(A) and statement of Adjusted Closing Net Current Assets delivered pursuant to Section 2.13(a)(i)(B) were prepared in accordance with this Section 2.13.

(ii) Reference Net Current Assets has been calculated and Adjusted Closing Net Current Assets shall be calculated to give effect to the following adjustments:

(A) only the line items set forth on Exhibit 2.13(a) shall be taken into account in such calculations;

(B) Cure Costs, Excluded Taxes, and all other Excluded Assets and Excluded Liabilities shall be excluded from such calculation, whether or not such items would have otherwise been included pursuant to Section 2.13(a)(ii)(A); and

(C) any insurance recoveries with respect to claims made prior to the Closing but with respect to which recoveries have not been received shall be included to the extent consistent with the preparation of Exhibit 2.13(a).

(iii) The U.S. Purchaser agrees not to take any action or omit to take any action, and to cause Newco not to take or omit to take any action, on the Closing Date with respect to the U.S. Business that is not in the Ordinary Course of the Business.

(iv) The Sellers and their representatives shall be given timely access to the Newco, the Purchaser and the Purchaser's Accountants, and the books, records, facilities and employees of Newco and the Business, including all supporting documents and work papers used in the preparation of the Closing Statement of Net Assets, as may be reasonably necessary for the Sellers' review of the Closing Statement of Net Assets.

(b) Disputes. (i) The Sellers may dispute any amounts reflected on the Closing Statement of Net Assets and statement of Adjusted Closing Net Current Assets, but only on the basis of their belief that such amounts were not arrived at in accordance with Section 2.13(a) or resulted from a mistake of fact or other inaccuracy, and shall have the right to have the Sellers' accountants ("Sellers' Accountants") perform a review of the Closing Statement of Net Assets and the statement of Adjusted Closing Net Current Assets, the working papers relating thereto, and the books and records of Newco and the Business; provided, however, that the Sellers shall have notified the Purchaser in writing of each disputed item, specifying the amount thereof in dispute and setting forth, in reasonable detail, the basis for such dispute, within 45 days of the Purchaser's delivery of the Closing Statement of Net Assets and statement of Adjusted Closing Net Current Assets under Section 2.13(a)(i) to the Sellers. In the event of such a dispute, the Sellers and the Purchaser shall attempt to reconcile their differences. If the Sellers and the Purchaser are unable to reach a resolution with such effect within 30 days after receipt by the Purchaser of the Sellers' written notice of dispute, the Sellers and the Purchaser shall submit the items remaining in dispute for resolution to the Sellers' Accountants and the Purchaser's Accountants, who shall attempt to reconcile the remaining differences, and

any resolution by them as to any such remaining disputed amounts shall be final and binding on the parties hereto. If the Sellers' Accountants and the Purchaser's Accountants are unable to reach a resolution with such effect within 30 days after submission to them of such items remaining in dispute, the Sellers and the Purchaser shall submit the items then remaining in dispute for resolution to an accounting firm that is independent of the Purchaser and the Sellers and is also of national reputation mutually acceptable to the Sellers and the Purchaser (such accounting firm being referred to herein as the "Independent Accounting Firm"), which shall, as soon as practicable after such submission, determine and report to the Sellers and the Purchaser upon such remaining disputed items, and such report shall be final and binding on the Sellers and the Purchaser. The fees and disbursements of the Independent Accounting Firm shall be allocated between the Purchaser, on the one hand, and the Sellers, on the other hand, in the same proportion as the aggregate amount of such remaining disputed items so submitted to the Independent Accounting Firm that is unsuccessfully disputed by each such party (as finally determined by the Independent Accounting Firm) bears to the total amount of such remaining disputed items so submitted.

(ii) In acting under this Agreement, the Sellers' Accountants, the Purchaser's Accountants and the Independent Accounting Firm shall be entitled to the privileges and immunities of arbitrators.

(c) Purchase Price Adjustment. The Closing Statement of Net Assets and the statement of Adjusted Closing Net Current Assets shall be deemed final for the purposes of this Section 2.13 upon the earlier of (A) the failure of the Sellers to notify the Purchaser of a dispute in accordance with Section 2.13(b)(i), (B) the resolution of all disputes by the Sellers and the Purchaser, (C) the resolution of all disputes by the Sellers' Accountants and the Purchaser's Accountants and (D) the resolution of all disputes by the Independent Accounting Firm. Within five (5) Business Days of such documents being deemed final, an adjustment to the Purchase Price shall be made, by wire transfer in immediately available funds to Spiegel or the Purchaser as applicable, if the following shall occur:

If the Reference Net Current Assets exceeds the Adjusted Closing Net Current Assets (i) by an amount greater than the Designated Amount but not more than \$4,500,000, then the Purchase Price shall be decreased by \$.50 for every dollar of the excess above the Designated Amount or (ii) by an amount greater than \$4,500,000, then the Purchase Price shall be decreased by \$.50 for every dollar of the excess above the Designated Amount and below \$4,500,000 and dollar for dollar for every dollar of excess above \$4,500,000.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Except as disclosed in the Disclosure Schedule, each Seller hereby represents and warrants to the Purchaser, as follows:

SECTION 3.01. Organization, Authority and Qualification of the Sellers. Except as a result of the commencement of the Chapter 11 Cases, such Seller is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all necessary corporate power and authority, subject to obtaining the approval of the Bankruptcy Court or, where applicable, the Canadian Court, to enter into this Agreement and the Ancillary Agreements, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Such Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification necessary, except to the extent that the failure to be so licensed, qualified or in good standing (a) has resulted from the commencement or continuance of the Chapter 11 Cases, or (b) would not (i) adversely affect the ability of such Seller to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements, or (ii) have a Material Adverse Effect. Subject to obtaining the approval of the Bankruptcy Court or, where applicable, the Canadian Court, the execution and delivery of this Agreement and the Ancillary Agreements by such Seller, the performance by such Seller of its obligations hereunder and thereunder and the consummation by such Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of such Seller. This Agreement has been, and upon their execution the Ancillary Agreements shall have been, duly executed and delivered by such Seller, and (assuming due authorization, execution and delivery by the Purchaser) following the approval by the Bankruptcy Court or, where applicable, the Canadian Court of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, this Agreement and the Ancillary Agreements shall constitute legal, valid and binding obligations of such Seller, enforceable against such Seller in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally and subject to general principles of equity.

SECTION 3.02. No Conflict. Subject to obtaining the approval of the Bankruptcy Court or, where applicable, the Canadian Court and assuming that all consents, approvals, authorizations and other actions described in Section 3.03 have been obtained, all filings and notifications listed in Section 3.03 of the Disclosure Schedule have been made and any applicable waiting period has expired or been terminated, and except as may result from any facts or circumstances relating solely to the Purchaser, the execution, delivery and performance by such Seller of this Agreement and the Ancillary Agreements to which such Seller is a party does not and will not (a) violate, conflict with or result in the breach of the organizational documents or bylaws of such Seller, (b) conflict with or violate any Law or Governmental Order applicable to such Seller or (c) except as set forth in Section 3.02(c) of the Disclosure Schedule,

conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, acceleration or cancellation of, any note, bond, mortgage or indenture, Contract, lease, sublease, license, permit, franchise or other instrument or arrangement to which such Seller is a party, except to the extent any of the foregoing are not enforceable due to operation of applicable bankruptcy Law, the Approval Order or the Canadian Court, and in the case of clauses (b) and (c), as would not (i) materially and adversely affect the ability of such Seller to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements or (ii) otherwise have a Material Adverse Effect.

SECTION 3.03. Governmental Consents and Approvals. Subject to obtaining the approval of the Bankruptcy Court, the execution, delivery and performance by such Seller of this Agreement and each Ancillary Agreement to which such Seller is a party does not and will not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority, except (a) as described in Section 3.03 of the Disclosure Schedule, (b) according to the pre-merger notification and waiting period requirements of the HSR Act, (c) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent or materially delay the consummation by such Seller of the transactions contemplated by this Agreement and the Ancillary Agreements and would not have a Material Adverse Effect, or (d) as may be necessary as a result of any facts or circumstances relating solely to the Purchaser or any of its Affiliates.

SECTION 3.04. Financial Information. Attached as Section 3.04 of the Disclosure Schedule are the following financial statements (collectively, the “Financial Statements”): (i) the unaudited consolidated balance sheet of the Sellers as of April 3, 2004 (the “Sellers’ Balance Sheet”) and (ii) the related unaudited statements of income and cash flows for the year then ended. Except as set forth in Section 3.04 of the Disclosure Schedule, the Financial Statements (a) were prepared in accordance with the books of account and other financial records of the Sellers in the ordinary course of their business without audit, (b) reflect all normal and recurring adjustments which are necessary to present fairly, in all material respects, the financial condition and results of operations and cash flows of the Sellers as of such date and for the period covered thereby in accordance with GAAP, as consistently applied by the Sellers, provided that (i) certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, and (ii) the Financial Statements include Excluded Assets and Excluded Liabilities and (c) present fairly, in all material respects, the financial condition and results of operations and cash flows of the Sellers and its consolidated subsidiaries as of such date and for the period covered thereby in accordance with GAAP, as consistently applied by the Sellers. The Sellers’ books, accounts and records, including, without limitation, customer lists and customer-related records, are, and have been, maintained in the Sellers’ usual, regular and ordinary manner, in accordance with historical and prudent business practices and, if applicable, GAAP, and all material transactions to which the Sellers are or have been parties are properly reflected therein. Except as set forth in Section 3.04 of the Disclosure Schedule and other than Inventory that is in transit (including “factory shipped” Inventory), all of the Inventory of the Business is located at Groveport, Ohio, Columbus, Ohio or Hampton, Virginia.

SECTION 3.05. Litigation. Except for the Chapter 11 Cases, the CCAA Cases and any and all Actions arising therefrom or related thereto, and except as set forth in Section 3.05 of the Disclosure Schedule, as of the date hereof there is no Action by or against such Seller and relating to the Business pending, or, to such Seller's Knowledge, threatened against any Seller, before any Governmental Authority except as would not (a) adversely affect the ability of such Seller to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements or (b) otherwise have a Material Adverse Effect.

SECTION 3.06. Compliance with Laws. Except as set forth in Section 3.06 of the Disclosure Schedule, and as would not (a) adversely affect the ability of such Seller to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements or (b) otherwise have a Material Adverse Effect, such Seller has conducted and continues to conduct the Business in accordance with all Laws and Governmental Orders applicable to the Business, and such Seller (to the extent it relates to the Business) is not in violation of any such Law or Governmental Order.

SECTION 3.07. Environmental Matters. (a) Except as disclosed in Section 3.07 of the Disclosure Schedule or as would not have a Material Adverse Effect, (i) such Seller (to the extent it relates to the Business) is in compliance with all applicable Environmental Laws and has obtained and is in compliance with all Environmental Permits, (ii) there are no written claims pursuant to any Environmental Law pending or, to such Seller's Knowledge, threatened, against such Seller (to the extent relating to the Business) and (iii) such Seller has provided the Purchaser with copies of any and all environmental assessment or audit reports or other similar studies or analyses generated within the last two years and in such Seller's possession that relate to the Purchased Assets.

(b) The Purchaser acknowledges that (i) the representations and warranties contained in this Section 3.07 are the only representations and warranties being made with respect to compliance with or liability under Environmental Laws or with respect to any environmental, health or safety matter, including natural resources, related in any way to the Business, including the Purchased Assets, or to this Agreement or its subject matter and (ii) no other representation contained in this Agreement shall apply to any such matters, and no other representation or warranty, express or implied, is being made with respect thereto.

SECTION 3.08. Intellectual Property. (a) Section 3.08(a)(i) of the Disclosure Schedule sets forth a true and complete list of all patents and patent applications, registered trademarks and trademark applications, and registered copyrights and copyright applications and registered domain names included in the Transferred Intellectual Property or incorporating the Spiegel Name. Section 3.08(a)(ii) of the Disclosure Schedule sets forth a list of the Transferred IP Agreements.

(b) To the Sellers' Knowledge, except as set forth in Section 3.08(b) of the Disclosure Schedule, (i) no Person is engaging in any activity that infringes any Transferred Intellectual Property or the Spiegel Name, (ii) no claim has been asserted to any of the Sellers that the use of any Transferred Intellectual Property, the Spiegel Name or the rights under the

Transferred IP Agreements infringes the patents, trademarks, or copyrights of any third party, (iii) the operation of the Business as currently conducted does not infringe the Intellectual Property rights of any Person and (iv) no Transferred Intellectual Property or the Spiegel Name is involved in any material respect in any opposition, invalidation, cancellation or similar proceeding, and there is no pending, or, to the Knowledge of the Sellers, threatened claim or litigation contesting the validity, ownership or right to use, sell, license or dispose of any Transferred Intellectual Property or the Spiegel Name.

(c) Except as would not have a Material Adverse Effect, with respect to each item of Transferred Intellectual Property or the Spiegel Name, Spiegel, a subsidiary of Spiegel (other than the Sellers) that is also a debtor in the Chapter 11 Cases or the Sellers are the owners of the entire right, title and interest in and to such Transferred Intellectual Property or the Spiegel Name.

(d) Except for the Intellectual Property related to the Contracts disclosed in Section 3.08(d) of the Disclosure Schedule (the “Excluded IP Agreements”), the Transferred Intellectual Property, the Spiegel Name, the Transferred IP Agreements and the Intellectual Property related to the services in the Transition Services Agreement include all the Intellectual Property material to the operation of the Business as currently conducted.

SECTION 3.09. Leased Real Property. Section 3.09 of the Disclosure Schedule lists all real property leased by a Seller (“Leased Real Property”), the street address of each parcel of Leased Real Property, the current occupant (if different from the lessee) and the identity of the lessor, the lessee and the date of the corresponding lease. The Sellers have delivered to the Purchaser true and complete copies of the leases in effect at the date hereof relating to the Leased Real Property, and there has not been any sublease or assignment entered into by any of the Sellers in respect of the leases relating to the Leased Real Property. SGTS-Canada is not in material breach or violation of the New Waterford Lease.

SECTION 3.10. Purchased Assets. The Sellers own, lease or have the legal right to use all the Purchased Assets and, subject to any necessary approvals of the Bankruptcy Court or the Canadian Court, by the execution and delivery at the Contribution Closing and the Closing of the instruments of transfer provided for herein, Newco (with respect to the U.S. Purchased Assets) and the Canadian Purchaser (with respect to the Canadian Purchased Assets) will be vested with good and marketable title to each of the Purchased Assets or a valid and enforceable leasehold interest in all Leased Real Property and leased personal property, free and clear of all Liens, as set forth in the Approval Order and the Canadian Approval Order, other than Assumed Liabilities.

SECTION 3.11. Employee Benefits Matters. (a) With respect to each employee benefit plan, program, arrangement and contract (including, without limitation, any “employee benefit plan,” as defined in section 3(3) of ERISA) maintained or contributed to by any of the Sellers for the benefit of any current employees of the Business, including, without limitation, the current employees of SGTS-Canada (collectively, the “Employees”) or with respect to which any of the Sellers or Newco could incur liability under section 4069 of ERISA (collectively, the “Employee Plans”), the Sellers have made available to the Purchasers a true and correct copy of

(i) the most recent annual report (Form 5500) filed with the IRS, (ii) each such Employee Plan, (iii) each trust agreement relating to such Employee Plan, (iv) the most recent summary plan description for each Employee Plan for which a summary plan description is required, (v) the most recent actuarial report or valuation relating to an Employee Plan subject to Title IV of ERISA and (vi) the most recent determination letter, if any, issued by the IRS with respect to any Employee Plan qualified or intended to be qualified under section 401(a) of the Tax Code. Section 3.11(a)(i) of the Disclosure Schedule sets forth all of the Employee Plans. Section 3.11(a)(ii) of the Disclosure Schedule sets forth all of the Employee Plans that are subject to or governed by the Laws of any jurisdiction other than the United States (the “Non-U.S. Employee Plans”).

(b) Compliance. Each Employee Plan of such Seller has been operated in all material respects in accordance with its terms and the requirements of all applicable Laws. Such Seller has performed all material obligations required to be performed by it under, is not in any material respect in default under or in material violation of, and such Seller has no Knowledge of any material default or violation by any party to, any Employee Plan. No Action is pending or, to the Knowledge of such Seller, threatened with respect to any Employee Plan (other than claims for benefits in the ordinary course) and, to the Knowledge of such Seller, no fact or event exists that could give rise to any such Action.

(c) Qualification of Certain Plans. Each Employee Plan that is intended to be qualified under section 401(a) of the Tax Code or section 401(k) of the Tax Code has timely received a favorable determination letter from the IRS covering all of the provisions applicable to the Employee Plan for which determination letters are currently available that the Employee Plan is so qualified, each trust established in connection with any Employee Plan which is intended to be exempt from federal income taxation under section 501(a) of the Tax Code has received a determination letter from the IRS that it is so exempt, and no fact or event has occurred since the date of such determination letter or letters from the IRS to adversely affect the qualified status of any such Employee Plan or the exempt status of any such trust.

SECTION 3.12. Taxes. Except as set forth in Section 3.12 of the Disclosure Schedule and except for matters that would not have a Material Adverse Effect, to the Sellers’ Knowledge, (a) all Tax Returns in respect of Taxes (other than in respect of income Taxes of any kind or nature) required to have been filed with respect to the Business or the Purchased Assets have been timely filed (taking into account any extension of time to file granted or obtained), (b) all Taxes due and payable on or prior to the date hereof have been paid or will be timely paid, (c) such Seller has not received from any Governmental Authority any written notice of proposed adjustment, deficiency or underpayment of any Taxes (other than in respect of income Taxes of any kind or nature) relating to the Business or the Purchased Assets, other than a proposed adjustment, deficiency or adjustment that has been satisfied by payment or settlement or withdrawn and (d) there are no Tax Liens on any of the Purchased Assets.

SECTION 3.13. Contracts. (a) Section 3.13(a) of the Disclosure Schedule lists each Contract relating to the Business in effect as of the date hereof that falls within any of the following categories (collectively, “Material Contracts”):

- (i) all material Contracts and agreements that limit or purport to limit the ability of the Business to compete in any line of business or with any Person or in any geographic area or during any period of time;
- (ii) all leases in respect of Leased Real Property;
- (iii) that certain agreement with R.R. Donnelly & Sons for printing and electronic publishing services, dated May 3, 2003 and any other executory contracts for the printing or publishing, posting or mailing of advertising materials for the Business;
- (iv) the Private Label Credit Card Program Agreement, dated May 2, 2003 by and between Spiegel, Catalog and World Financial Network National Bank and any other executory contracts providing for any credit programs for customers of the Business;
- (v) all Transferred IP Agreements other than licenses of commercially available computer software;
- (vi) all Contracts and agreements between or among the Sellers, to the extent relating to the Business (other than employee-related Contracts and Contracts for the types of services contemplated by the Transition Services Agreement), and any Affiliate of the Sellers;
- (vii) all Contracts pursuant to which a Seller made disbursements to vendors, or accruals in respect thereof, if any, in excess of \$100,000 in connection with the Business during the year ended December 31, 2003;
- (viii) all employment Contracts with members of senior management of the Business that are not terminable without Liability;
- (ix) all Contracts with respect to the establishment or maintenance of any customer lists or customer databases;
- (x) all material Contracts with respect to the shipping of the Business' goods and services;
- (xi) all material buying Contracts;
- (xii) the DIP Loan Agreement; and
- (xiii) the Contracts specified in Section 2.04 of the Disclosure Schedule as of the date hereof.

(b) Except for such Material Contracts that have expired pursuant to their terms and subject to entry of the Approval Order by the Bankruptcy Court and entry of the Canadian Approval Order by the Canadian Court, upon the Sellers' assumption of such Material Contracts that are Designated Contracts and are not otherwise excluded under Section 2.01(b)(xi), and the payment by the Sellers of the applicable Cure Costs, each such Designated Contract will be a

valid and binding obligation of the applicable Seller and, to the Knowledge of the Sellers, the other parties thereto.

(c) The Sellers have provided to the Purchaser true and complete copies of each of the Designated Contracts and any amendments or other modifications thereto.

SECTION 3.14. Absence of Certain Changes, Events and Conditions. (a) Since January 31, 2004, except as set forth in Section 3.14 of the Disclosure Schedule, the Sellers have not:

(i) made any redemption, repurchase or other acquisition of shares of capital stock by a Seller, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to its capital stock;

(ii) acquired, sold, transferred, leased, subleased, licensed or otherwise disposed of any properties or assets, real, personal or mixed (including leasehold interests and intangible property) of a Seller (related to the Business), other than in the ordinary course of business;

(iii) made any material changes in the customary methods of operations of the Business, including practices and policies relating to manufacturing, purchasing, Inventories, marketing, selling and pricing;

(iv) suffered a Material Adverse Effect;

(v) suffered, in any single occurrence, any damage, theft, destruction or casualty loss in excess of \$200,000, to its assets, whether or not covered by insurance, or suffered, in any single occurrence, a material destruction or loss of its books and records; or

(vi) granted or announced any increase in the salaries, bonuses or other benefits payable by such Seller to any of the Employees to be offered employment by Newco or the Canadian Purchaser pursuant to Section 7.01, other than as required by Law, pursuant to any plans, programs or Contracts existing on the date hereof or other ordinary increases consistent with the past practices of the Seller.

(b) Beginning on April 12, 2004 the Sellers began winding up the Business, by taking actions including, but not limited to:

(i) providing WARN notices to substantially all of the Employees of Catalog

(ii) ceasing to enter into or renew any inventory commitments and certain designer and buying commitments; and

(iii) causing their Affiliate Distribution Fulfillment Services, Inc. (DFS) to alter the routing of contacts between call centers in DFS's sole discretion based on the

delivery of contact services in the least disruptive manner and with the intention of providing the best cost-performance result.

SECTION 3.15. Brokers. Except for Miller, Buckfire, Lewis, Ying & Co., LLC (“MBLY”) and any professional retained by the Committee, if applicable, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement or the Ancillary Agreements based upon arrangements made by or on behalf of each of the Sellers. Each of the Sellers is solely responsible for the fees and expenses of MBL Y and such other professional hired by the Committee, if applicable.

SECTION 3.16. Labor Relations. Except as set forth in Section 3.16(a) of the Disclosure Schedule and except as would not, individually or in the aggregate, have a Material Adverse Effect, there is no pending or, to the Sellers' Knowledge, threatened strike, slowdown, picketing, work stoppage, or any pending application for certification of a collective bargaining agent against the Sellers on the date of this Agreement. The Sellers are not party to any collective bargaining agreements except as set forth in Section 3.16(b) of the Disclosure Schedule.

SECTION 3.17. Sufficiency of Assets. Except as set forth in Section 3.17 of the Disclosure Schedule, the Purchased Assets, together with the services which the Purchaser may elect to receive pursuant to the Transition Services Agreement, constitute all material assets used in the operation of the Business as currently conducted.

SECTION 3.18. Organization, Authority and Qualifications of Newco. Except as a result of the commencement of the Chapter 11 Cases, as of the Contribution Closing Date Newco shall be duly organized, validly existing and in good standing under the Laws of the State of Delaware and shall have all necessary corporate power and authority, subject to obtaining any needed approval of the Bankruptcy Court, to enter into the Ancillary Agreements to which it is a party, to carry out its obligations thereunder and to consummate the transactions contemplated thereby. Subject to obtaining any needed approval of the Bankruptcy Court, the execution and delivery by Newco of the Ancillary Agreements to which it is a party, the performance by Newco of its obligations thereunder and the consummation by Newco of the transactions contemplated thereby shall have been duly authorized by all requisite action on the part of Newco. Upon their execution, the Ancillary Agreements to which it is a party shall have been duly executed and delivered by Newco, and (assuming due authorization, execution and delivery by the U.S. Sellers) following any needed approval by the Bankruptcy Court of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, the Ancillary Agreements to which it is a party shall constitute legal, valid and binding obligations of Newco, enforceable against Newco in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors’ rights generally and subject to general principles of equity.

SECTION 3.19. Capitalization; Ownership of Shares. As of the Closing, the Shares shall be validly issued, fully paid and non-assessable and shall not be issued in violation of any preemptive rights. As of the Closing, there shall be no options, warrants, convertible

securities or other rights, agreements, arrangements or commitments relating to the shares of Newco Common Stock or (other than as contemplated by this Agreement) obligating any of Spiegel, the Sellers or Newco to sell or issue any shares of Newco Common Stock, or any other interest in, Newco. As of the Closing, the Shares shall constitute all the issued and outstanding capital stock of Newco, and at the Closing, Spiegel shall convey good and marketable title to the Shares free and clear of all Liens.

SECTION 3.20. Operations of Newco. Newco shall be formed solely for the purpose of entering into the transactions contemplated under this Agreement, and shall engage in no other business activities (other than conducting the Business following the Contribution Closing).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to each of the Sellers as follows:

SECTION 4.01. Organization and Authority of the Purchaser. The Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has all necessary corporate power and authority to enter into this Agreement and the Ancillary Agreements to which it is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The Purchaser is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification necessary, except to the extent that the failure to be so licensed, qualified or in good standing would not materially adversely affect the ability of the Purchaser to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements. The execution and delivery by the Purchaser of this Agreement and the Ancillary Agreements to which it is a party, the performance by the Purchaser of its obligations hereunder and thereunder and the consummation by the Purchaser of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of the Purchaser. This Agreement has been, and upon their execution the Ancillary Agreements to which the Purchaser is a party shall have been, duly executed and delivered by the Purchaser, and (assuming due authorization, execution and delivery by the Sellers) this Agreement constitutes, and upon their execution the Ancillary Agreements to which the Purchaser is a party shall constitute, legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally and subject to general principles of equity.

SECTION 4.02. No Conflict. Subject to obtaining the approval of the Bankruptcy Court or, where applicable, the Canadian Court and assuming that all consents, approvals, authorizations and other actions referred to in Section 4.03 have been obtained, the

execution, delivery and performance by the Purchaser of this Agreement and the Ancillary Agreements to which it is a party do not and will not (a) violate, conflict with or result in the breach of any provision of the certificate of incorporation or bylaws (or similar organizational documents) of the Purchaser, (b) conflict with or violate any Law or Governmental Order applicable to the Purchaser or its respective assets, properties or businesses or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, Contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Purchaser is a party, except, in the case of clauses (b) and (c), as would not materially adversely affect the ability of the Purchaser to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements.

SECTION 4.03. Governmental Consents and Approvals. Subject to obtaining the approval of the Bankruptcy Court or, where applicable, the Canadian Court, the execution, delivery and performance by the Purchaser of this Agreement and each Ancillary Agreement to which the Purchaser is a party do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Authority, except (a) the pre-merger notification and waiting period requirements of the HSR Act and the requirements of the antitrust Laws of any other relevant jurisdiction, (b) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent or materially delay the consummation by the Purchaser of the transactions contemplated by this Agreement and the Ancillary Agreements, (c) any filings or approvals as may be required under the laws of Bermuda, or (d) as may be necessary as a result of any facts or circumstances relating solely to the Sellers or their Affiliates.

SECTION 4.04. Financing. The Purchaser has or will have at the Closing sufficient immediately available funds to pay, in cash, the Purchase Price and all other amounts payable pursuant to this Agreement and the Ancillary Agreements or otherwise necessary to consummate all the transactions contemplated hereby and thereby.

SECTION 4.05. Litigation. As of the date hereof, no Action by or against the Purchaser is pending or, to the knowledge of the Purchaser, threatened which could affect the legality, validity or enforceability of this Agreement and any Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby.

SECTION 4.06. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser. The Purchaser shall be solely responsible for payment of the fees and expenses of any broker or finder engaged by or on its behalf in connection with the negotiation, execution, delivery or performance of this Agreement.

SECTION 4.07. Independent Investigation; Sellers' Representations. The Purchaser has conducted its own independent investigation, review and analysis of the business,

operations, assets, liabilities, results of operations, financial condition, software, technology and prospects of the Business, including, without limitation, the Purchased Assets and the Assumed Liabilities, which investigation, review and analysis were done by the Purchaser and its Affiliates and representatives. The Purchaser acknowledges that it and its representatives have been provided adequate access to the personnel, properties, premises and records of the Business for such purpose. In entering into this Agreement, the Purchaser acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any factual representations or opinions of the Sellers or their Affiliates or their representatives (except the specific representations and warranties of the Sellers set forth in Article III). The Purchaser hereby agrees and acknowledges that, other than the representations and warranties made in Article III, none of the Sellers, their Affiliates, or any of their respective officers, directors, employees or representatives make or have made any representation or warranty, express or implied, at law or in equity, with respect to Newco or the Purchased Assets or the Business including as to (i) merchantability or fitness for any particular use or purpose, (ii) the operation of the Business by the Purchaser after the Closing in any manner other than as used and operated by the Sellers or (iii) the probable success or profitability of the Business after the Closing. The Purchaser acknowledges that the representations and warranties set forth in this Agreement are made solely for purposes of disclosure and establishing conditions to the Closing and shall not survive the Closing. None of the Sellers, its Affiliates, or any of their respective officers, directors, employees or representatives will have or be subject to any liability or indemnification obligation to the Purchaser or to any other Person resulting from the distribution to the Purchaser, its Affiliates or representatives of, or the Purchaser's use of, any information relating to the Business, including any information distributed to selected parties by MBLY and any information, documents or material made available to the Purchaser, whether orally or in writing, in certain "data rooms", management presentations, functional "break-out" discussions, responses to questions submitted on behalf of the Purchaser or in any other form in expectation of the transactions contemplated by this Agreement.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.01. Conduct of Business Prior to the Closing. Each of the Sellers (and, following the Stock Transfer, Spiegel, in case of clauses (ii) or (iii)) covenants and agrees that, except as required by the Bankruptcy Court, the Canadian Court (where applicable) or applicable Law, as may otherwise be approved in advance in writing by the Purchaser, or as described in Section 5.01 of the Disclosure Schedule, between the date hereof and the Closing, it (to the extent it relates to the Business) shall use its commercially reasonable efforts in the context of its Chapter 11 Case (i) to conduct (and, following the Stock Transfer, cause Newco to conduct), its businesses in the ordinary course in all material respects, (ii) to preserve (and, following the Stock Transfer, cause Newco to preserve), intact in all material respects the business organization of the Business and (iii) promptly, in the case of the Sellers, inform the Purchaser in writing of any material variances from the representations and warranties of the Sellers contained herein or any breach of any covenant or agreement hereunder by a Seller or Spiegel. Except as permitted or required by the DIP Loan Agreement, or required by the

Bankruptcy Court, the Canadian Court (where applicable) or applicable Law, or as described in Section 5.01 of the Disclosure Schedule, each Seller (and, following the Stock Transfer, Spiegel) covenants and agrees that, between the date hereof and the Closing, without the prior written consent of the Purchaser, it will not, and will cause Newco not to, in respect of any Purchased Assets or Assumed Liabilities:

(a) grant or announce any increase in the salaries, bonuses or other benefits payable by such Seller or Newco to any of the Employees to be offered employment (or otherwise employed) by Newco or the Canadian Purchaser pursuant to Section 7.01, other than as required by Law, pursuant to any plans, programs or Contracts existing on the date hereof or other ordinary increases consistent with the past practices of the Seller;

(b) except in connection with the Contribution, make any redemption, repurchase or other acquisition of shares of capital stock, or make any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to its capital stock;

(c) change any method of accounting or accounting practice, election or policy used by the Seller (as it relates to the Business), other than such changes required by GAAP;

(d) take any action which would have required disclosure pursuant to Section 3.14;

(e) except with respect to the transactions contemplated by this Agreement and the Ancillary Agreements, seek authority from the Bankruptcy Court to take any action outside the Ordinary Course of the Business without the consent of the Purchaser;

(f) agree to take any of the actions specified in this Section 5.01, except as contemplated by this Agreement and the Ancillary Agreements;

(g) incur any creative or selling costs related to the fall 2004 media;

(h) incur any Inventory commitments; or

(i) remove any assets or properties of SGTS-Canada from the New Waterford call center facility.

SECTION 5.02. Access to Information. (a) From the date hereof until the Closing, upon reasonable notice, each Seller (and, following the Stock Transfer, Spiegel) shall, and shall cause its respective officers, directors, employees, agents, representatives, accountants and counsel to, (i) afford the Purchaser and its financing sources and their authorized representatives reasonable access to the offices, properties and books and records of such Seller (to the extent relating to the Business and Newco), as well as all other information concerning the Business as any of them may reasonably request and (ii) furnish to the officers, employees, authorized agents and representatives of the Purchaser such additional financial and operating data and other information regarding the Business (or copies thereof) as the Purchaser may from

time to time reasonably request; provided however that any such access or furnishing of information shall be conducted at the Purchaser's expense, during normal business hours, under the supervision of such Seller's (or, following the Stock Transfer, Spiegel's) personnel and in such a manner as not to interfere with the normal operations of the Business. With respect to business and financial information of SGTS-Canada, the Purchaser agrees to comply the Personal Information Protection and Electronic Documents Act (Canada).

(b) In order to facilitate the resolution of any claims made against or incurred by each Seller relating to the Business, for a period of seven years after the Closing or, if shorter, the applicable period specified in the Purchaser's document retention policy, the Purchaser shall, and shall cause Newco, to (i) retain the books and records relating to the Business relating to periods prior to the Closing, and (ii) upon reasonable notice, afford the officers, employees, agents and representatives of each of the Sellers reasonable access (including the right to make, at each Seller's expense, photocopies), during normal business hours, to such books and records; provided, however, that the Purchaser shall, and shall cause Newco to, notify each Seller at least 20 Business Days in advance of destroying, or permitting Newco to destroy, any such books and records in accordance with the requirements of this Section 5.02(b) in order to provide such Seller the opportunity to copy such books and records in accordance with this Section 5.02(b).

SECTION 5.03. Confidentiality. (a) The terms of the letter agreement dated as of March 19, 2004 and attached hereto as Appendix A (the "Confidentiality Agreement") among the Sellers and the Purchaser are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement and the obligations of the Purchaser under this Section 5.03 shall terminate; provided, however, that the Confidentiality Agreement shall terminate only in respect of that portion of the Confidential Information (as defined in the Confidentiality Agreement) exclusively relating to the transactions contemplated by this Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect.

(b) Nothing provided to the Purchaser pursuant to Section 5.02(a) shall in any way amend or diminish the Purchaser's obligations under the Confidentiality Agreement. The Purchaser acknowledges and agrees that any Confidential Information provided to the Purchaser pursuant to Section 5.02(a) or otherwise by the Sellers or their Affiliates or any officer, director, employee, agent, representative, accountant or counsel thereof shall be subject to the terms and conditions of the Confidentiality Agreement.

(c) Notwithstanding anything herein to the contrary, each party hereto (and its representatives, agents and employees) may consult any Tax advisor regarding the Tax treatment and Tax structure of the transactions contemplated hereby, and may disclose to any Person, without limitation of any kind, the Tax treatment and Tax structure of such transactions and all materials (including opinions and other Tax analyses) that are provided relating to such treatment or structure.

SECTION 5.04. Regulatory and Other Authorizations; Notices and Consents.

(a) The Purchaser and each of the Sellers shall use all reasonable efforts to promptly obtain all authorizations, consents, orders and approvals of all Governmental Authorities and officials that

may be or become necessary (and, in the case of the Sellers, Spiegel's) for their execution and delivery of, and the performance of their (and, in the case of the Sellers, Spiegel's) obligations pursuant to, this Agreement and the Ancillary Agreements and will cooperate fully with each other in promptly seeking to obtain all such authorizations, consents, orders and approvals. Each party hereto agrees to make promptly its respective filings, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by this Agreement within ten Business Days after the earlier of (i) the execution of this Agreement and (ii) the date of the Approval Order and to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested pursuant to the HSR Act. None of the Sellers or Newco or their Affiliates shall be required to pay any fees or other payments to any Governmental Authorities in order to obtain any such authorization, consent, order or approval.

(b) Without limiting the generality of the undertakings pursuant to Section 5.04(a), each of the parties hereto agrees to use all reasonable efforts and to take any and all reasonable steps necessary to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation Law that may be asserted by any United States or non-United States governmental antitrust authority or any other competent Governmental Authority so as to enable the parties hereto to expeditiously close the transactions contemplated hereby, including proposing, negotiating, committing to and effecting, by consent, decree, hold separate orders, or otherwise, the sale, divestiture or disposition of such of its assets, properties or businesses or of the assets, properties or businesses to be acquired by it pursuant hereto as are required to be divested in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding, which would otherwise have the effect of materially delaying or preventing the consummation of the transactions contemplated hereby; provided, however, the Purchaser shall not be required to undertake any such proposed sale, divestiture or disposition which would have a Material Adverse Effect on the Purchaser's operation of the Business or the Purchased Assets after giving effect to such sale, divestiture or disposition. In addition, each of parties hereto agrees to use all reasonable efforts to defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any decree, order or judgment (whether temporary, preliminary or permanent) that would prevent the Closing as expeditiously as possible.

(c) Each party to this Agreement shall promptly notify the other parties of any communication it or any of its Affiliates receives from any Governmental Authority relating to the matters that are the subject of this Agreement and permit the other parties to review in advance any proposed non-confidential communication by such parties to any Governmental Authority. No party to this Agreement shall agree to participate in any meeting with any Governmental Authority in respect of any filing, investigation or other inquiry relating to the transactions contemplated by this Agreement unless it consults with the other parties in advance and, to the extent permitted by such Governmental Authority, gives the other parties the opportunity to attend and participate in such meeting. Subject to the Confidentiality Agreement, the parties to this Agreement will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other parties may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods, including under the HSR Act. Subject to the Confidentiality Agreement, the parties to this

Agreement will provide each other with copies of all non-confidential correspondence, filings or communications between them or any of their representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, with respect to this Agreement and the transactions contemplated by this Agreement.

SECTION 5.05. Notifications; Update of Disclosure Schedule. Until the Closing, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in any of the conditions set forth in Article VIII of this Agreement becoming incapable of being satisfied; provided, however, that the delivery of any notice pursuant to this Section 5.05 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice. The Sellers may, from time to time, prior to or at the Closing, by notice given in accordance with this Agreement, supplement or amend the Disclosure Schedule to correct any matter that would otherwise constitute a breach of any representation or warranty contained herein. If such a supplement or amendment of any section of the Disclosure Schedule discloses any information that would give rise to a right of the Purchaser to terminate this Agreement pursuant to the provisions of Section 10.01(e), then the Purchaser shall have the right to terminate this Agreement in accordance with Section 10.01(e), but such termination shall be the Purchaser's sole remedy relating to matters set forth in amendments or supplements to any section of the Disclosure Schedule.

SECTION 5.06. Bulk Transfer Laws. The Purchaser hereby waives compliance by the Sellers with any applicable bulk sale or bulk transfer Laws of any jurisdiction in connection with the sale of the Purchased Assets.

SECTION 5.07. Transition Services. Following the Closing, the Sellers shall provide, or cause to be provided, to the Business certain services that are currently provided by the Sellers and their Affiliates to the Business, and the Purchaser shall provide or cause to be provided to the Sellers or their Affiliates certain services that are currently provided by the Business, in each case, all as more fully set forth in a transition services agreement substantially in the form attached hereto as Exhibit 5.07 (the "Transition Services Agreement") to be entered into by the U.S. Sellers and Newco as of the Contribution Closing and by the Canadian Seller and the Canadian Purchaser as of the Closing; provided that from the date hereof and until the Closing the Purchaser shall use its reasonable best efforts to establish the employee plans, programs and arrangements contemplated by Section 7.01.

SECTION 5.08. Further Action. The parties hereto shall use all reasonable efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law, and to execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement.

SECTION 5.09. Tax Cooperation and Exchange of Information. The Sellers and the Purchaser will provide (and the Purchaser will cause Newco to provide) each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return, amended Tax Return or claim for refund, determining any liability for Taxes or a

right to a refund of Taxes or participating in or conducting any audit or other proceeding in respect of Taxes relating to the Purchased Assets or the Business. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules and related work papers and documents relating to rulings or other determinations by Taxing authorities. The Sellers and the Purchaser will make themselves (and their respective employees and employees of their respective Affiliates) available, on a mutually convenient basis, to provide explanations of any documents or information provided under this Section 5.09. Each of the Sellers and the Purchaser will retain (and the Purchaser will cause Newco to retain) all Tax Returns, schedules and work papers and all material records or other documents in its possession (or in the possession of its Affiliates) relating to Tax matters relevant to the Purchased Assets or the Business for the taxable period first ending after the Closing and for all prior taxable periods until the later of (i) the expiration of the statute of limitations of the Taxable periods to which such Tax Returns and other documents relate, without regard to extensions, or (ii) six years following the due date (without extension) for such Tax Returns. After such time, before either Sellers or the Purchaser shall dispose (or, in the case of the Purchaser, permit Newco or its Affiliates to dispose) of any such documents in their possession (or in the possession of their Affiliates), the other party shall be given the opportunity, after 90 days' prior written notice, to remove and retain all or any part of such documents as such other party may select (at such other party's expense). Any information obtained under this Section 5.09 shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting an audit or other proceeding.

SECTION 5.10. Conveyance Taxes. Each of the Purchaser, on the one hand, and the Sellers, on the other hand, shall assume 50% of any liability for the payment of any Conveyance Taxes incurred as a result of the consummation of the Closing, it being understood that the Sellers shall use their commercially reasonable efforts to obtain a waiver of such Conveyance Taxes; provided the Purchaser shall be liable for 100% of all Conveyance Taxes in excess of the Conveyance Taxes that would have been payable had a Closing (as defined in the Asset Purchase Agreement) of the transactions under the Asset Purchase Agreement occurred on the Closing Date (as defined in the Asset Purchase Agreement). The Purchaser shall file an election pursuant to Part IX of the Excise Tax Act (Canada) (the "GST Legislation") made jointly by the parties hereto in compliance with the requirements of the GST Legislation with respect to SGTS-Canada and shall be liable and indemnify SGTS-Canada with respect to any Taxes so payable, including any penalties and interest in connection therewith.

SECTION 5.11. Bankruptcy Court Approvals. (a) No later than five Business Days after the date hereof, the Sellers shall file with the Bankruptcy Court, on an emergency basis, one or more motion(s) or other application(s), in form and substance reasonably satisfactory to the Sellers and the Purchaser for (i) an order substantially in the form of Appendix B hereto or otherwise in form and substance reasonably satisfactory to the Sellers and the Purchaser (the "Scheduling Order") and (ii) an order substantially in the form of Appendix C hereto or otherwise in form and substance reasonably satisfactory to the Sellers and the Purchaser (the "Approval Order"), upon no less than 20 days' notice (or such shorter time period as the Bankruptcy Court may approve) and a hearing, authorizing each of the Sellers to enter into and perform all of its respective obligations pursuant to this Agreement and the transactions contemplated hereby, including, without limitation (i) the sale, conveyance, assignment, transfer

and delivery by the Sellers to the Purchaser of the Purchased Assets, respectively, free and clear of all Liens other than the Assumed Liabilities and (ii) the assumption and assignment of the executory contracts and unexpired leases to be assumed and assigned pursuant to the terms hereof, and which order shall contain, inter alia, a finding that the Purchaser has acted in “good faith” within the meaning of section 363(m) of the Bankruptcy Code. The Sellers agree to use their reasonable best efforts to obtain the Scheduling Order and the Approval Order.

(b) No later than seven (7) Business Days after the date hereof, SGTS-Canada, shall file with the Canadian Court, one or more motion(s) or other application(s) in form and substance reasonably satisfactory to SGTS-Canada and the Purchaser, for an order of the Canadian Court (the “Canadian Approval Order”), which will, among other things, (i) authorize, approve, or confirm this agreement and the performance by SGTS-Canada of its obligations hereunder and the execution and delivery hereof by SGTS-Canada; (ii) provide for the vesting of title of the Purchased Assets in the Purchaser to the extent owned by SGTS-Canada, free and clear of all claims against the Purchased Assets of every nature and kind whatsoever, including, without limiting the generality of the foregoing, all Liens, upon the filing of a Report of the Information Officer with the Canadian Court, indicating that all matters to be completed prior to the consummation of the transactions contemplated hereby have been completed or waived; and (iii) declaring that the Bulk Sales Act (Ontario) does not apply to the sale of the Purchased Assets under this Agreement. SGTS-Canada agrees to use its reasonable best efforts to obtain the Canadian Approval Order.

(c) The Purchaser understands and agrees that until the Bankruptcy Court and the Canadian Court have approved this Agreement and authorized the Sellers to consummate the transactions contemplated hereby, the Sellers’ obligations hereunder to consummate such transactions are subject to such approval and to the receipt of higher or otherwise better offers from third parties.

SECTION 5.12. Other Covenants; Conditions Precedent. The Purchaser shall use all reasonable efforts to (i) assist the Sellers in obtaining the approval of the Bankruptcy Court, the Canadian Court and any other required consents to the transactions contemplated hereby and (ii) cause the conditions precedent to the consummation of the transactions contemplated hereby to be satisfied.

SECTION 5.13. Permission to Use Corporate Names. As requested by the Purchaser, immediately after the date hereof, each of the Sellers shall execute all forms or certifications required in order to permit the Purchaser or one or more of its Affiliates to use the word “Spiegel” in their corporate and trade names. The parties hereto acknowledge that as of the Contribution Closing (in the case of Newco) and the Closing (in the case of the Canadian Purchaser), Newco and the Canadian Purchaser are acquiring rights to the name “Spiegel”, “Spiegel Catalog” and all derivations thereof and shall have all exclusive rights to use the name “Spiegel” and “Spiegel Catalog” in its and its Affiliates’ corporate and trade names. Notwithstanding the foregoing, but subject to the remaining provisions of this paragraph, Spiegel and the Sellers shall be entitled to continue using the “Spiegel” name solely in their corporate names (i) in connection with the consummation of their reorganization and Bankruptcy Court filings, (ii) in Spiegel’s filings with the Securities and Exchange Commission and (iii) as

otherwise may be required by Law, but, in each case, only consistent with an order of the Bankruptcy Court. At the Closing, each of the Sellers shall deliver executed versions, in the form necessary for filing, of all documents and certificates required to change their corporate or limited liability company names to remove the word “Spiegel”. Upon the consummation of its Chapter 11 Case, Spiegel shall take all actions, and file all documents and certificates, required to change its corporate name to remove the word “Spiegel”. In addition, following the Closing and at the request of the Purchaser, Spiegel will use commercially reasonable efforts to take all actions and file all documents and certificates required to change its corporate name to remove the word “Spiegel”; provided that the Purchaser shall reimburse Spiegel for all costs and expenses (including the reasonable fees and expenses of counsel) incurred by Spiegel in connection with the taking of such actions and the filing of such certificates and documents.

SECTION 5.14. Bank Accounts. The Sellers agree that no transfers of cash from any of the Sellers to any of their Affiliates will take place with respect to the Bank Accounts on the Contribution Closing Date (with respect to the U.S. Purchased Assets) and the Closing Date (with respect to the Canadian Purchased Assets).

SECTION 5.15. Purchaser’s Deposit. On or about May 25, 2004 and May 26, 2004, the Purchaser made an initial good faith deposit in the form of a certified check (or other form acceptable to the Sellers in its sole discretion) payable to the Sellers in an amount equal to \$50,000 (the “Purchaser’s Deposit”).

SECTION 5.16. Newco. Prior to the Contribution Closing, the Sellers shall organize Newco under the Laws of the State of Delaware. The Sellers shall cause (a) the certificate of incorporation of Newco to be duly adopted substantially in the form of Exhibit 5.16(a) and the bylaws of Newco to be duly adopted substantially in the form of Exhibit 5.16(b).

SECTION 5.17. Purchaser Guaranty. (a) From and after the Closing, the Purchaser, jointly and severally, hereby unconditionally, irrevocably and absolutely guarantees to Spiegel, the Sellers and the Sellers’ Affiliates the due and punctual performance and discharge by Newco, the U.S. Purchaser and the Canadian Purchaser of the Assumed Liabilities, the obligations under the Designated Contracts and any other obligations of Newco, the U.S. Purchaser, and the Canadian Purchaser under this Agreement or the Ancillary Agreements (collectively, the “Obligations”). The guarantee under this Section 5.17 is a guarantee of timely payment and performance of the Obligations and not merely of collection.

(b) To the fullest extent permitted by applicable Law, the obligations of the Purchaser hereunder shall remain in full force and effect without regard to, and shall not be affected or impaired by, (i) any change in the corporate structure or ownership of Newco or the bankruptcy, insolvency, reorganization, dissolution, liquidation, or other similar proceeding relating to Newco or any Affiliate of either Newco or the Purchaser or (ii) any neglect, delay, omission, failure or refusal of Newco, the Purchaser, Spiegel or the Sellers to take or prosecute any action in connection with this Agreement or any other agreement, delivered in connection herewith. In connection with this Section 5.17, the Purchaser unconditionally waives: (i) any right to receive demands, protests, or other notices of any kind or character whatsoever, as the same may pertain to Newco, (ii) any right to require the Sellers or Spiegel to proceed first against

Newco or to exhaust any security held by the Sellers or Spiegel or to pursue any other remedy, (iii) any defense based upon an election of remedies by the Sellers or Spiegel and (iv) all suretyship and other defenses of every kind and nature; provided, that the Purchaser shall be entitled to avail itself of and assert any other defenses or offsets that could be asserted by Newco.

(c) The obligations of the Purchaser under this Section 5.17 shall be automatically reinstated if and to the extent that for any reason any payment or other performance by or on behalf of Newco in respect of the Obligations are rescinded or must be otherwise restored, and the Purchaser agrees that it will indemnify Spiegel or the Sellers on demand for all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Sellers in connection with such rescission or restoration. If in connection with the foregoing, any of the Sellers or Spiegel is required to refund part or all of any payment of Newco, such payment by the Sellers or Spiegel shall not constitute a release of the Purchaser from any liability hereunder, and the Purchaser's liability hereunder shall be reinstated to the fullest extent allowed under applicable Law and shall not be construed to be diminished in any manner.

ARTICLE VI

AUCTION PROCEDURES

SECTION 6.01. Bidding Procedures. The Sellers will seek entry of the Approval Order authorizing and approving the sale of the Purchased Assets to the Purchaser or a Qualified Overbidder which the Sellers determine to have made the highest or otherwise best offer for the Purchased Assets and the Assumed Liabilities in accordance with the procedures set forth in this Article VI (collectively, the "Bidding Procedures").

(a) The Sellers will (i) in consultation with representatives of the Committee determine whether any Person is a Qualified Overbidder, (ii) coordinate the efforts of Qualified Overbidders in conducting their respective due diligence investigations regarding the Business, the Purchased Assets and the Assumed Liabilities generally, (iii) receive offers from Qualified Overbidders and (iv) in consultation with the Committee negotiate any offer made to purchase the Purchased Assets and the Assumed Liabilities (collectively, the "Bidding Process"). Any Person who wishes to participate in the Bidding Process must be a Qualified Overbidder, and neither the Sellers nor their representatives are obligated to furnish any information of any kind whatsoever relating to the Sellers or the Purchased Assets and the Assumed Liabilities to any Person who is not a Qualified Overbidder. The Sellers have the right to adopt such other rules for the Bidding Process that the Sellers determine, in consultation with the Committee, will better promote the goals of the Bidding Process and that are not inconsistent with any of the other provisions hereof or of any order of the Bankruptcy Court.

(b) In order to participate in the Bidding Process, each Person (a "Potential Bidder"), other than the Purchaser, must deliver (unless previously delivered) to the Sellers an executed confidentiality agreement in form and substance satisfactory to the Sellers and no less restrictive than the Confidentiality Agreement.

A “Qualified Overbidder” is a Potential Bidder that the Sellers in their business judgment, after consultation with the Committee, determine is financially able to consummate the purchase of the Purchased Assets and the assumption of the Assumed Liabilities. The Purchaser is a Qualified Overbidder. MBLY and the Committee’s financial advisors shall be entitled to due diligence from the Qualified Overbidder, upon execution of a confidentiality agreement in form and substance reasonably satisfactory to the Sellers and no less restrictive than the Confidentiality Agreement. The Qualified Overbidder shall comply with all reasonable requests for additional information and due diligence access by MBLY and the Committee’s financial advisors. Failure by the Qualified Overbidder to fully comply with requests for additional information and due diligence access will be a basis for the Sellers to determine that any bid made by the Qualified Overbidder is not a Qualified Overbid.

A Qualified Overbidder who desires to make a bid must deliver its good faith deposit via wire transfer (or other form acceptable to the Sellers in their sole discretion) in Account No. 3752186004 at Bank of America, Dallas, TX, ABA No. 111000012 (account in the name of Spiegel, Inc.) an amount equal to or greater than \$350,000 (such amount representing the sum of (x) \$50,000, the amount of the Purchaser’s Deposit; plus (y) \$250,000, the maximum amount of the Expense Reimbursement ; plus (z) \$50,000, the Overbid Increment) (the “Good Faith Deposit”) and must deliver a copy of its Required Bid Documents to each of (i) Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attention: Andrew V. Tenzer, Esq. (atenzer@shearman.com), (ii) Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177, Attention: Stuart Erickson (stuart.erickson@mbly.com), (iii) Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112, Attention: David LeMay, Esq. (dlemay@chadbourne.com), (iv) Spiegel Catalog, Inc., c/o Spiegel, Inc., 3500 Lacey Road, Downers Grove, Illinois 60515 Attention: Robert H. Sorensen, General Counsel (robert_sorensen@spgl.com), (v) the Purchaser and its counsel, at the notice addresses specified in Section 12.02 and (vi) Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022, Attention: Gary B. Bernstein, Esq. (gberstein@kayescholer.com) so as to be received not later than Friday, June 11, 2004 at 4:00 p.m. (prevailing Eastern time) (the “Bid Deadline”).

SECTION 6.02. Determination of Qualified Overbid Status. A bid received from a Qualified Overbidder will constitute a “Qualified Overbid” only if it includes all of the Required Bid Documents listed below and meets all of the Bid Requirements set forth below. Notwithstanding the foregoing, the bid set forth in this Agreement will be deemed a Qualified Overbid for all purposes in connection with the Bidding Process, the Auction and the Sale.

(a) Required Bid Documents. Except as expressly provided to the contrary by this Agreement, in order to participate in the Bidding Process, each Potential Bidder, other than the Purchaser, must deliver (unless previously delivered) to the Sellers, at the Sellers’ request, the following documents (collectively, the “Required Bid Documents”) by the Bid Deadline:

- (i) a written offer stating that:

(A) the Qualified Overbidder offers to purchase all or substantially all of the Purchased Assets and to assume all or substantially all of the Assumed Liabilities,

(B) the Qualified Overbidder is prepared to enter into a legally binding purchase and sale agreement for the acquisition of the Business on terms and conditions no less favorable to the Sellers than those set forth in this Agreement immediately following the conclusion of the Auction (as defined in Section 6.03(a) below), and

(C) the Qualified Overbidder's offer is irrevocable until the Closing of a Sale;

(ii) a copy of such purchase and sale agreement described above in Section 6.02(a)(i)(B) marked to show proposed amendments and modifications to this Agreement and executed by the Qualified Overbidder; and

(iii) current audited financial statements of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of acquiring the Purchased Assets and the Assumed Liabilities, current audited financial statements of the equity holder(s) of the Potential Bidder or such other form of financial disclosure acceptable to the Sellers and their advisors, after consultation with the Committee, demonstrating such Potential Bidder's ability to close the proposed transaction.

(b) Bid Requirements. Except as expressly provided to the contrary by this Agreement, all bids must satisfy the following requirements (collectively, the "Bid Requirements"):

(i) the Sellers must determine, after consultation with their financial advisors and the Committee, that the bid (A) is not materially more burdensome or conditional than the bid set forth in this Agreement and (B) has a value greater than the sum of (x) \$2,300,000 (which amount represents sum of (i) the Purchase Price payable by the Purchaser under this Agreement, (ii) \$50,000, the amount of the Overbid Increment, and (iii) \$250,000, the maximum amount of the Expense Reimbursement), plus (y) the consideration to the Sellers arising from the assumption of the Assumed Liabilities under this Agreement, plus (z) all other consideration to the Sellers under this Agreement;

(ii) the bid is on substantially the same or better terms and conditions than those set forth in this Agreement;

(iii) the bid is not conditioned upon the Bankruptcy Court's approval of any bid protections, such as a break-up fee, termination fee, expense reimbursement or similar type of payment;

(iv) the bid is not conditioned upon the Potential Bidder's financing requirements;

(v) the bid acknowledges and represents that the bidder: (A) has had an opportunity to conduct any and all due diligence regarding the Purchased Assets and the Assumed Liabilities prior to making its offer, (B) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid, (C) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures and the Sellers' representations and warranties in this Agreement; and (D) is not contingent upon any additional due diligence; and

(vi) the bid is received by the Bid Deadline.

SECTION 6.03. Auction. (a) If one or more Qualified Overbids is received, the Sellers will conduct an auction (the "Auction") with respect to the Purchased Assets and the Assumed Liabilities. If no Qualified Overbid (other than that of the Purchaser) is received by the Bid Deadline, the Sellers shall report the same to the Bankruptcy Court, the Purchaser's bid will be deemed the Successful Bid and the Sellers shall proceed with the transactions contemplated by this Agreement.

(b) The Auction, if required, will commence at 10:00 a.m. (prevailing Eastern time) on Tuesday, June 15, 2004, before the Honorable Cornelius Blackshear, United States Bankruptcy Judge for the Southern District of New York, United States Bankruptcy Court, Courtroom 601, One Bowling Green, New York, New York 10004, or at such other time or place determined by the Bankruptcy Court.

(c) Only the Purchaser, the Sellers and their advisors, Qualified Overbidders who have submitted Qualified Overbids, the United States trustee, the Committee and representatives of the Sellers' postpetition secured lenders will be entitled to attend, participate and be heard at the Auction, and only the Purchaser and Qualified Overbidders will be entitled to make any subsequent Qualified Overbids at the Auction.

(d) During the Auction, bidding will begin at the purchase price stated in the highest or otherwise best Qualified Overbid (taking into account the Expense Reimbursement), and will subsequently continue in minimum increments of at least \$50,000 higher than the previous Qualified Overbid (the "Overbid Increment"). All subsequent bids submitted by the Purchaser shall be "cash only" and shall not be deemed to include a credit in an amount equal to the maximum amount of the Expense Reimbursement. No entity, including, without limitation, the Purchaser) may object to any overbid not made by the Purchaser on the grounds that after deduction of the Expense Reimbursement, such overbid is not the highest bid.

(e) Bidding at the Auction will continue until such time as the highest or otherwise best Qualified Overbid is determined. Upon conclusion of the Auction, the Sellers, in

consultation with the Committee, will (i) review each Qualified Overbid on the basis of financial and contractual terms and other factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale of the Purchased Assets, and (ii) identify the highest or otherwise best offer for the Purchased Assets (the “Successful Bid”) and the second highest and best offer for the Purchased Assets (the “Back-up Bid”).

(f) Other than as set forth in this Article VI, the auction procedures will be determined by the Bankruptcy Court at the Auction.

SECTION 6.04. Expense Reimbursement (a) If (a) the Bankruptcy Court approves a higher and better bid than that submitted by the Purchaser, (b) the Sellers withdraw the motion for Bankruptcy Court approval of the sale of the Purchased Assets and the Purchaser is not in material breach of this Agreement (and has not otherwise terminated this Agreement pursuant to the provisions of Section 10.01(a) or (f)), or (c) notwithstanding the fact that all of the Sellers’ conditions to Closing have been satisfied or waived by the Sellers and the Purchaser is not in material breach of this Agreement, the Sellers refuse to consummate the sale of the Purchased Assets, then the Purchaser shall be entitled to reimbursement for its documented, out-of-pocket expenses reasonably incurred in connection with this transaction, not to exceed \$250,000 (the “Expense Reimbursement”).

SECTION 6.05. Intentionally Omitted

SECTION 6.06. Intentionally Omitted.

SECTION 6.07. Acceptance of Qualified Overbids. (a) At the Sale Hearing, the Sellers will seek entry of the Approval Order authorizing and approving the Sale (i) if no Qualified Overbid is received (other than that of the Purchaser), to the Purchaser pursuant to the terms and conditions set forth in this Agreement, (ii) if one or more Qualified Overbids are received by the Sellers, to the Purchaser or such Qualified Overbidder as the Sellers, in the exercise of their business judgment, after consultation with the Committee, determine to have made the highest or otherwise best offer to purchase the Purchased Assets (the “Successful Bidder”) or (iii) to the extent of any default by the Successful Bidder, to the Qualified Overbidder who submitted the second highest and best offer for the Purchased Assets (the “Back-up Bidder”). The Sale Hearing may be adjourned or rescheduled without notice by an announcement of the adjourned date at the Sale Hearing.

(b) The Sellers’ presentation to the Bankruptcy Court for approval of a particular Qualified Overbid does not constitute the Sellers’ acceptance of the bid, except with respect to the bid of the Purchaser as reflected in this Agreement (subject to higher or otherwise better Qualified Overbids and subject to Bankruptcy Court approval). The Sellers will be deemed to have accepted any other bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing. The Sellers shall not be deemed to have rejected any bid unless or until either the sale of the Purchased Assets closes and/or such bid is rejected in writing.

(c) Following the Sale Hearing approving the Sale to the Successful Bidder, (i) if such Successful Bidder fails to consummate an approved Sale because of a breach or failure to perform on the part of such Successful Bidder, the Back-up Bid, as disclosed at the Sale Hearing,

will be deemed to be the Successful Bid and the Sellers will be authorized, but not required, to consummate the Sale with the Back-up Bidder submitting such bid without further order of the Bankruptcy Court or, (ii) if a Qualified Overbidder other than the Purchaser fails to consummate the Sale for any reason and the Purchaser has made the Back-up Bid, then the Purchaser shall purchase the Purchased Assets on the terms and conditions set forth in this Agreement (except the Closing Date shall be extended for a reasonable period of time, not to exceed thirty (30) days, to allow the Purchaser to complete such purchase) and at the final purchase price bid by the Purchaser at the Auction, without requiring further Bankruptcy Court Approval.

SECTION 6.08. Return of Good Faith Deposit and Purchaser's Deposit. (a) The Good Faith Deposits of all Qualified Overbidders and the Purchaser's Deposit will be retained by the Sellers and all Qualified Overbids will remain open until the Closing of a Sale; provided, however, that if no Closing of a Sale occurs on or before 30 days after the Sale Hearing, the Sellers shall, except as provided in subsection (b) of this Section 6.07, within five (5) Business Days, return or cause to be returned each of the Good Faith Deposits to the respective Overbidder that made such Good Faith Deposit and the Purchaser's Deposit to the Purchaser.

(b) If a Successful Bidder fails to consummate an approved Sale because of a breach or failure to perform on the part of such Successful Bidder and the Sellers are not then in material breach of this Agreement, the Sellers will not have any obligation to return the Good Faith Deposit or the Purchaser's Deposit, as the case may be, deposited by such Successful Bidder, and such Good Faith Deposit or the Purchaser's Deposit, as the case may be, irrevocably will become the property of the Sellers and shall not be credited against the purchase price of the subsequent buyer and the Purchaser shall pay to the Sellers the Purchaser's Deposit. In the event of a material breach of this Agreement by the Purchaser, as a result of which the Sellers are entitled to retain the Purchaser's Deposit in accordance with this Section 6.07(b), the Sellers' right to such funds shall constitute the Sellers' sole and exclusive remedy for any breach of this Agreement by the Purchaser.

SECTION 6.09. Court-Imposed Qualified Overbid. In order for the Sellers to accept any alternative offer, such alternative offer must be a Qualified Overbid or an offer that the Sellers are required to accept by the Bankruptcy Court.

SECTION 6.10. Modifications of Bidding Procedures. The Sellers, after consultation with the Committee, may (a) determine in their business judgment which Qualified Overbid, if any, is the highest or otherwise best offer, and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Overbid, any bid (other than that of the Purchaser) that the Sellers, in consultation with the Committee, determine to be (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code or the terms and conditions of this Agreement, or (iii) contrary to the best interests of the Sellers, their estates and their creditors. At or before the Sale Hearing, the Sellers may impose such other terms and conditions upon Qualified Overbidders (other than the Purchaser) as they determine, in consultation with the Committee, to be in the best interests of the Sellers' estates, their creditors and other parties in interest in the Chapter 11 Cases.

ARTICLE VII

EMPLOYEE MATTERS

SECTION 7.01. Offer of Employment. Prior to the Contribution Closing Date, Newco shall make an offer of employment (the "Employment Offer") to those U.S. Employees as were mutually agreed upon between the U.S. Purchaser and the Sellers, including those on sick leave, vacation, other authorized leaves of absences or short-term disability (but excluding those on long-term disability) (the "U.S. Offered Employees"). Prior to the Closing Date, the Canadian Purchaser shall, or shall cause an Affiliate of the Canadian Purchaser to, make an Employment Offer to all Non-U.S. Employees (the "Non-U.S. Offered Employees"); provided, however, that if the parties shall fail to receive the Canadian Approval Order or the consents of the counterparties to the New Waterford Lease as of the Closing, then the Purchaser shall not be required to make an Employment Offer to any Non-U.S. Employees and any such Non-U.S. Employees shall remain Employees of SGTS-Canada. Each Employment Offer to the U.S. Offered Employees shall provide that such offer of employment shall take effect on the Contribution Closing Date and each Employment Offer to the Non-U.S. Offered Employees shall provide that such offer of employment shall take effect on the Closing Date. U.S. Employees who accept such offer of employment by the Contribution Closing Date shall be referred to herein as "U.S. Transferred Employees" and Non-U.S. Employees who accept such offer of employment by the Closing Date shall be referred to herein as "Non-U.S. Transferred Employees" and collectively with the U.S. Transferred Employees shall be referred to herein as "Transferred Employees." The Sellers and the U.S. Purchaser agree that, in lieu of an Employment Offer to the U.S. Offered Employees, the Sellers shall or shall cause an Affiliate of the Sellers to take all necessary and appropriate actions to transfer the U.S. Offered Employees to Newco and cause Newco to employ such U.S. Offered Employees on the terms set forth in Section 7.02.

SECTION 7.02. U.S. Transferred Employee Offers. The Employment Offer to the U.S. Employees will consist of (i) at least the same base salary and bonus opportunities as were provided to each such Employee immediately prior to the Contribution Closing Date and (ii) employee benefit plans, programs and arrangements that are substantially the same as those provided to the employees of the NNI Acquirer.

SECTION 7.03. U.S. Transferred Employee Benefits. (a) Effective as of the Closing Date, and except as otherwise provided pursuant to the Transition Services Agreement, the U.S. Transferred Employees shall cease participation in Employee Plans other than the plans, programs and procedures maintained by Catalog solely for the benefit of the U.S. Employees and shall commence participation in employee benefit plans and arrangements of the U.S. Purchaser or an Affiliate of the U.S. Purchaser. The U.S. Purchaser shall, or cause an Affiliate of the U.S. Purchaser to, recognize and give full credit for all services by each U.S. Transferred Employee for purposes of eligibility, vesting, benefit accrual and determination of the level of benefits (other than benefit accrual or the level of benefits under a defined benefit pension plan) under any employee benefit plans or arrangements of the U.S. Purchaser or its Affiliates for such U.S. Transferred Employees' service with the Sellers and/or Catalog to the same extent recognized by

the Sellers and/or Catalog immediately prior to the Closing Date, except to the extent such credit would result in the duplication of benefits.

(b) For a period of twelve months following the Closing, the U.S. Purchaser shall, or shall cause an Affiliate of the U.S. Purchaser to, provide the U.S. Transferred Employees with severance protection (including levels of severance and the circumstances under which severance is payable) that is equal to the greater of (i) the severance benefits currently provided to the Employees pursuant to The Spiegel Group Severance Plan, a copy of which has been made available to the U.S. Purchaser, and (ii) the severance benefits under the U.S. Purchaser's then existing severance plan or arrangement.

(c) The U.S. Purchaser shall, or shall cause an Affiliate of the U.S. Purchaser to, (i) waive all pre-existing condition limitations and waiting periods with respect to welfare plans (including, without limitation, medical and dental plans) for the U.S. Transferred Employees, (ii) provide each U.S. Transferred Employee with credit for any co-payments, deductibles and out-of-pocket expenses incurred during any plan year in progress as of the Closing Date as though such amounts have been made in accordance with the terms and conditions of the U.S. Purchaser's medical and dental plans.

(d) Following the Closing Date, the U.S. Purchaser shall, or shall cause an Affiliate of the U.S. Purchaser to, credit each U.S. Transferred Employee with the number of his or her unused and accrued vacation days outstanding as of the Closing Date in accordance with the terms of the applicable vacation policy of the Sellers prior to the Closing Date, a copy of which has been made available to the U.S. Purchaser and shall not cause any forfeiture of any such vacation days, but only to the extent any such vacation pay liability has been recorded in the Closing Statement of Net Assets.

SECTION 7.04. Assumption of Employee Contracts. Newco shall, or shall cause an Affiliate of Newco to, assume and agree to perform all Liabilities, obligations and responsibilities under the employment agreements and offer letters listed on Section 7.04 of the Disclosure Schedule. In addition, Newco shall assume the employment agreement between Spiegel and Geralynn Madonna (the "Employment Agreement") other than the obligations set forth in Section 2.2 and Section 2.3 of the Employment Agreement. The Sellers shall perform all Liabilities, obligations and responsibilities under each retention agreement, if any, entered into between any Seller and any of its employees on or prior to the Closing Date. [CONFIRM NO CANADIAN CONTRACTS TO BE ASSUMED]

SECTION 7.05. 401(k) Plans. The Sellers shall take or cause to be taken all such actions as may be required to ensure that, as of the Closing Date, each U.S. Transferred Employee shall become 100% vested in his account balance under the Spiegel Group Value in Partnership Profit Sharing and 401(k) Savings Plan and the Spiegel Group Value in Partnership Profit Sharing and 401(k) Savings Plan for Hourly Associates (collectively, the "Sellers' 401(k) Plans"). The U.S. Purchaser shall permit the plan(s) maintained by the U.S. Purchaser or one of its Affiliates that is an eligible retirement plan, pursuant to section 401(a)(31)(D) of the Tax Code, to accept an "eligible rollover contribution" (within the meaning of section 401(a)(31) of the Tax Code) in cash of all or a portion of the account balance distributed to a U.S. Transferred

Employee under the Sellers' 401(k) Plans. For purposes of this Section 7.05, "eligible rollover contribution" shall include the amount of any unpaid balance of any loan of a U.S. Transferred Employee under the Sellers' 401(k) Plans.

SECTION 7.06. Flexible Spending Account. Subject to the requirements of section 125 of the Tax Code, any unused amounts credited to U.S. Transferred Employees' accounts (after the satisfaction of claims for expenses incurred prior to the Closing Date) under the Sellers' medical expense reimbursement or dependent care reimbursement plan, a copy of which has been made available to the U.S. Purchaser and any pre-existing elections of the U.S. Transferred Employees in effect thereunder will be transferred to, and assumed by, the corresponding plan of the U.S. Purchaser or one of its Affiliates in which the U.S. Transferred Employees are eligible to participate for the balance of the calendar year during which the Closing occurs.

SECTION 7.07. Non-U.S. Transferred Employee Offers. The Employment Offer to Non-U.S. Employees, if applicable, shall be on substantially the same terms and conditions as provided to each such Non U.S.-Employee immediately prior to the Closing Date. For greater certainty, and without limitation, the Employment Offer to each Non-U.S. Employee, if applicable, shall be at a base salary which is not less than such Non-U.S. Employee enjoyed immediately prior to Closing and shall include employee benefit plans, programs and arrangements which provide, in the aggregate to each such Non-U.S. Employee, substantially the same benefit as enjoyed immediately prior to the Closing Date, including, without limitation, the benefits provided under the Employee Plans listed in Section 3.11(a)(ii) of the Disclosure Schedule (except item 9 thereunder).

SECTION 7.08. Non-U.S. Transferred Employee Benefits. Except as provided in the Transition Services Agreement, effective as of the Closing Date, the Non-U.S. Transferred Employees, if any, shall cease participation in Employee Plans and shall commence participation in employee benefit plans and arrangements of the Canadian Purchaser or an Affiliate of the Canadian Purchaser. The Canadian Purchaser shall, or shall cause an Affiliate of the Canadian Purchaser to, recognize and give credit, to the same extent recognized by the Sellers immediately prior to the Closing Date, for all service of each Non-U.S. Transferred Employee, if any, with the Sellers for purposes of eligibility, vesting, benefit accrual and determination of the level of benefits (other than benefit accrual or the level of benefits under a defined benefit pension plan) under any employee benefit plans or arrangements of the Purchaser or its Affiliates for such Non-U.S. Transferred Employees, except to the extent such credit would result in the duplication of benefits.

SECTION 7.09. Cooperation. The Sellers shall cooperate with Canadian until the Closing Date in communicating to Employees any information concerning employment offers and employment after the Closing Date, and during normal business hours shall allow additional meetings by representatives of the Canadian Purchaser with such Employees upon the reasonable request of the Canadian Purchaser.

SECTION 7.10. No-Hiring. For a period of twelve months commencing on the Closing Date none of the Purchasers, Newco nor any of their respective Affiliates, shall directly

or indirectly solicit for employment or hire any Person listed on Section 7.10 of the Disclosure Schedule (i) who did not receive an Employment Offer from either Newco or the Canadian Purchaser on the terms and conditions set forth in this Article VII and (ii) who is entitled to receive a severance payment from the Seller following the failure to receive such Employment Offer.

ARTICLE VIII

CONDITIONS TO CLOSING

SECTION 8.01. Conditions to Obligations of the Sellers. The obligations of each of the Sellers to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or written waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. (i) The representations and warranties of the Purchaser contained in this Agreement (A) that are not qualified as to “materiality” shall be true and correct in all material respects as of the Closing and (B) that are qualified as to “materiality” shall be true and correct as of the Closing, except to the extent such representations and warranties are made as of another date, in which case such representations and warranties shall be true and correct in all material respects or true and correct, as the case may be, as of such other date, and (ii) the covenants and agreements contained in this Agreement to be complied with by the Purchaser on or before the Closing shall have been complied with in all material respects;

(b) Governmental Approvals. Any waiting period (and any extension thereof) under the HSR Act and the antitrust legislation of any other relevant jurisdiction applicable to the purchase of the Purchased Assets contemplated by this Agreement shall have expired or shall have been terminated;

(c) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement or the Ancillary Agreements illegal or otherwise restraining or prohibiting the consummation of such transactions;

(d) Closing Deliveries. Spiegel and the Canadian Seller shall have received all deliveries, instruments and documents to be delivered at or prior to Closing by the Purchaser pursuant to Section 2.12;

(e) Approval Order. The Bankruptcy Court shall have entered the Approval Order and such Approval Order shall not be subject to a stay by any court of competent jurisdiction;

(f) Canadian Approval Order. The Canadian Court shall have entered the Canadian Approval Order and such Canadian Approval Order shall not be subject to a stay by any court of competent jurisdiction;

(g) Approval of New Waterford Lease Counterparties. The counterparties to the New Waterford Lease shall have consented to the assignment of the New Waterford Lease; and

(h) Contribution Closing; Stock Transfer. The Contribution and the Stock Transfer shall have been consummated.

SECTION 8.02. Conditions to Obligations of the Purchaser. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or written waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. (i) The representations and warranties of the Sellers contained in this Agreement (A) that are not qualified as to “materiality” or “Material Adverse Effect” shall be true and correct in all material respects as of the Closing and (B) that are qualified as to “materiality” or “Material Adverse Effect” shall be true and correct as of the Closing, other than such representations and warranties that are made as of another date, in which case such representations and warranties shall be true and correct in all material respects or true and correct, as the case may be, as of such other date, and (ii) the covenants and agreements contained in this Agreement to be complied with by the Sellers or Spiegel, as the case may be, at or before the Closing shall have been complied with in all material respects;

(b) Governmental Approvals. Any waiting period (and any extension thereof) under the HSR Act and the antitrust legislation of any other relevant jurisdiction applicable to the purchase of the Purchased Assets contemplated by this Agreement shall have expired or shall have been terminated;

(c) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement or the Ancillary Agreements illegal or otherwise restraining or prohibiting the consummation of such transactions;

(d) Approval Order. The Bankruptcy Court shall have entered the Approval Order substantially in the form of Appendix C hereto or otherwise in substance reasonably satisfactory to the Purchaser, and such Approval Order shall not be subject to a stay by any court of competent jurisdiction;

(e) Closing Deliveries. The Purchaser shall have received all deliveries, instruments and documents to be delivered at or prior to Closing by Spiegel and the Canadian Seller pursuant to Section 2.11;

(f) No Material Adverse Effect. No Material Adverse Effect shall have occurred after the date of this Agreement;

(g) NNI Asset Purchase Agreement. The NNI Acquirer shall have acquired the NNI Purchased Assets pursuant to the NNI Asset Purchase Agreement; and

(h) Contribution Closing; Stock Transfer. The Contribution and the Stock Transfer shall have been consummated.

ARTICLE IX

INDEMNIFICATION

SECTION 9.01. Indemnification by the Sellers. The Purchaser and its Affiliates, and their respective officers, directors, employees, agents, successors and assigns (each, a "Purchaser Indemnified Party") shall be indemnified and held harmless by the Sellers for and against all losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including reasonable attorneys' and consultants' fees and expenses) actually suffered or incurred by them (hereinafter, a "Loss"), arising out of or resulting from (i) the Excluded Assets, (ii) the Excluded Liabilities, (iii) those Liabilities that the Sellers have agreed to pay pursuant to Section 2.04 and (iv) those Liabilities that the Sellers have agreed to pay pursuant to Section 5.10.

SECTION 9.02. Indemnification by the Purchaser. The Sellers and their Affiliates, and their respective officers, directors, employees, agents, successors and assigns (each, a "Seller Indemnified Party") shall be indemnified and held harmless by the Purchaser for and against any and all Losses arising out of or resulting from: (i) the Assumed Liabilities, (ii) the Purchased Assets, (iii) all Liabilities related to the Transferred Employees to the extent related to the period on or after the Closing Date, (iv) those Liabilities that the Purchaser has agreed to pay pursuant to Section 2.04, (v) those Liabilities that the Purchaser has agreed to pay pursuant to Section 5.10, (vi) those costs and expenses that the Purchaser has agreed to pay pursuant to Section 5.13 and (v) the failure of the Purchaser to comply with its covenants and agreements under Section 5.17.

SECTION 9.03. Treatment of Payments. To the extent permitted by law, the parties agree to treat all payments made by any of them to or for the benefit of any other Person under this Article IX or under Section 2.13 and for any breach of covenants as adjustments to the Purchase Price for Tax purposes.

SECTION 9.04. Remedies. The Purchaser, the Sellers and Spiegel acknowledge and agree that following the Closing, the indemnification provisions of Sections 9.01 and 9.02 shall be the sole and exclusive remedies of the Purchaser, the Sellers and Spiegel under this Agreement, except that if any of the provisions of this Agreement are not performed in accordance with their terms or are otherwise breached, the parties shall be entitled to specific performance of the terms thereof in addition to any other remedy at law or equity.

ARTICLE X

TERMINATION, AMENDMENT AND WAIVER

SECTION 10.01. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Sellers or the Purchaser if (i) the Bankruptcy Court has not entered the Approval Order on or prior to June 15, 2004 or (ii) the Closing shall not have occurred by June 18, 2004; provided, however, that the right to terminate this Agreement under this Section 10.01(a) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(b) by either the Purchaser or the Sellers in the event that any Governmental Order restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement shall have become final and nonappealable;

(c) intentionally omitted;

(d) by the Sellers if the Purchaser shall have breached any of its representations, warranties, covenants or other agreements contained in this Agreement which would give rise to the failure of a condition set forth in Article VIII, which breach cannot be or has not been cured as of the Closing, as the same may be extended by mutual written agreement of the parties;

(e) by the Purchaser if the Sellers or Spiegel shall have breached any of their representations, warranties, covenants or other agreements contained in this Agreement which would give rise to the failure of a condition set forth in Article VIII, which breach cannot be or has not been cured as of the Closing, as the same may be extended by mutual written agreement of the parties;

(f) by the mutual written consent of the Sellers and the Purchaser; or

(g) by the Purchaser if an order with respect to the Chapter 11 Cases shall be entered by the Bankruptcy Court (i) converting the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code or (ii) appointing a trustee (or examiner with enlarged powers substantially similar to those of a trustee).

SECTION 10.02. Effect of Termination. In the event of termination of this Agreement as provided in Section 10.01, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except (a) as set forth in Sections 2.04, 5.03, 5.13 and 5.17 and Article XII and (b) that nothing herein shall relieve either party from liability for any breach of this Agreement occurring prior to such termination.

ARTICLE XI

NON-SURVIVAL OF REPRESENTATIONS AND WARRANTIES

SECTION 11.01. Non-Survival of Representations and Warranties. The representations and warranties in this Agreement shall terminate at the Closing or, subject to Section 10.02, upon termination of this Agreement pursuant to Section 10.01 and, following the Closing or the termination of this Agreement, as the case may be, no party shall make any claim whatsoever for any breach of representation or warranty hereunder.

ARTICLE XII

GENERAL PROVISIONS

SECTION 12.01. Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

SECTION 12.02. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by an internationally recognized overnight courier service, by facsimile or registered or certified mail (postage prepaid, return receipt requested) to the respective parties hereto at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 12.02):

(a) If to the Sellers:

Spiegel Catalog, Inc.
c/o Spiegel, Inc.
3500 Lacey Road
Downers Grove, IL 60515-5432
Facsimile: (413) 702-3573
Attention: General Counsel

with a copy to:

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022-6069
Facsimile: (646) 848-7179
Attention: Andrew V. Tenzer, Esq.

(b) if to the Purchaser:

Spiegel Catalog International Limited
Suite 902, 61 Spain Garden Lane
1980 Luo Xiu Road
Minhang, Shanghai
China 201100
Facsimile: 86-21-64059089
Attention: Jordan Rosenberg

with a copy to:

Gould & Ratner
222 North LaSalle Street, Eighth Floor
Chicago, IL 60601
Facsimile: (312) 236-3241
Attention: Christopher J. Horvay, Esq.

SECTION 12.03. Public Announcements. No party to this Agreement shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated by this Agreement or otherwise communicate with any news media without the prior written consent of the other party unless otherwise required by Law or applicable stock exchange regulation, and the parties to this Agreement shall cooperate as to the timing and contents of any such press release, public announcement or communication.

SECTION 12.04. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

SECTION 12.05. Entire Agreement. This Agreement, the Ancillary Agreements, the Confidentiality Agreement and that certain letter agreement among the parties dated as of the date hereof constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, among the Sellers and the Purchaser, including the Asset Purchase Agreement, with respect to the subject matter hereof and thereof.

SECTION 12.06. Assignment. This Agreement may not be assigned by operation of law or otherwise without the express written consent of the Sellers, Spiegel and the Purchaser (which consent may be granted or withheld in the sole discretion of the Sellers, Spiegel or the Purchaser), as the case may be; provided that (i) the Purchaser may assign any of

its rights or obligations hereunder to any of its Affiliates and (ii) the Purchaser may collaterally assign any of its rights or obligations hereunder to any financing source of the Purchaser or its Affiliates; provided further that no assignment pursuant to clause (i) or clause (ii) shall relieve the Purchaser of any of its obligations hereunder.

SECTION 12.07. Amendment. This Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, the Sellers, Spiegel and the Purchaser or (b) by a waiver in accordance with Section 12.08.

SECTION 12.08. Waiver. Any party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto or (c) waive compliance with any of the agreements of the other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of either party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

SECTION 12.09. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein, express or implied (excluding the provisions of Article IX relating to indemnified parties), is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

SECTION 12.10. Currency. Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars.

SECTION 12.11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the personal jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated thereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court).

SECTION 12.12. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER

AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.12.

SECTION 12.13. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Remainder of page intentionally left blank

IN WITNESS WHEREOF, Spiegel, the Sellers and the Purchaser have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SPIEGEL, INC.

By: James M. Brewster
Name: James M. Brewster
Title: Vice President (Senior) and
Chief Financial Officer

Sellers

SPIEGEL CATALOG, INC.

By: James M. Brewster
Name: James M. Brewster
Title: Vice President

SPIEGEL PUBLISHING CO.

By: James M. Brewster
Name: James M. Brewster
Title: Vice President

SPIEGEL CATALOG SERVICES, LLC

By: James M. Brewster
Name: James M. Brewster
Title: Vice President

SPIEGEL GROUP TELESERVICES-
CANADA, INC.

By: James M. Brewster
Name: James M. Brewster
Title: Vice President

Purchaser

**SPIEGEL CATALOG INTERNATIONAL
LIMITED**

By: Jordan Rosenberg
Name: JORDAN ROSENBERG
Title: PRESIDENT

EXHIBIT 1.01(a)(i)

FORM OF ASSIGNMENT OF U.S. TRANSFERRED INTELLECTUAL PROPERTY

EXHIBIT 1.01(a)(i)

ASSIGNMENT OF U.S. TRANSFERRED INTELLECTUAL PROPERTY

This ASSIGNMENT OF U.S. TRANSFERRED INTELLECTUAL PROPERTY (this "Assignment"), effective the _____ day of _____, 2004, is made and entered into by and between Spiegel, Inc. ("Spiegel", a Delaware Corporation, Spiegel Catalog, Inc. ("Catalog"), a Delaware corporation, Spiegel Publishing Co. ("Publishing"), an Illinois corporation, Spiegel Catalog Services, LLC ("LLC", and together with Spiegel, Catalog and Publishing, the "U.S. Assignors"), an Ohio limited liability corporation, and [NEWCO], a Delaware corporation ("Assignee") (each a "Party," and collectively, the "Parties"). Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (defined below).

WHEREAS, Spiegel, Inc. is the owner of the Spiegel Name and Catalog, Publishing and LLC are the owners of the Transferred Intellectual Property including but not limited to the patents and patent applications set forth on Schedule A hereto, (ii) the copyright registrations and copyright applications set forth on Schedule B hereto, (iii) the trademark registrations, trademark applications, including those pending trademarks filed as intent-to-use applications (the "ITU Marks"), and any and all goodwill symbolized thereby, set forth on Schedule C hereto and the domain name registrations set forth on Schedule D hereto;

WHEREAS, the U.S. Assignors have a *bona fide* intent to use the ITU Marks in connection with the goods and/or services for which each application for an ITU Mark has been filed;

WHEREAS, the U.S. Assignors, Spiegel Group Teleservices-Canada, Inc. and Spiegel Catalog International Limited entered into that certain Amended and Restated Stock and Asset Purchase Agreement dated as of June 7, 2004 (the "Purchase Agreement"), pursuant to which the U.S. Assignors agreed to transfer the U.S. Purchased Assets to Assignee, including all of the U.S. Assignors' right, title and interest in and to the Spiegel Name, the Transferred Intellectual Property, and that portion of the U.S. Assignors' business in which the U.S. Assignors have a *bona fide* intent to use the ITU Marks; and

WHEREAS, the execution and delivery of this Assignment is a condition to Closing.

NOW THEREFORE, for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Effective upon the Contribution Closing, the U.S. Assignors hereby assign to Assignee all of the U.S. Assignors' right, title and interest in and to the Spiegel Name and the Transferred Intellectual Property, including all rights therein provided by international conventions and treaties, the right to sue for past, present and future infringement, and goodwill incorporated or embodied in, used to develop, or related to the Spiegel Name and the Transferred Intellectual Property.

2. No Warranties. Except as expressly provided in the Purchase Agreement, the U.S. Assignors make no warranties, express or implied, with respect to the Spiegel Name or the Transferred Intellectual Property.

3. Registrant Name Change Agreement. Within thirty (30) days following the Contribution Closing, the U.S. Assignors shall (i) execute or otherwise complete the applicable registrant name change agreement or other forms required by the applicable Internet domain name registrar for each domain name included in the Transferred Intellectual Property (the “Registering Authority”) to transfer such domain names to Assignee on an expedited basis, (ii) submit or file such registrant name change agreements or other forms to or with the Registering Authority in accordance with the policies and rules of the Registering Authority, and (iii) take any further actions in accordance with the policies and rules of the Registering Authority as required to transfer such domain names to Assignee on an expedited basis.

4. Further Assurances. The U.S. Assignors shall, at the cost and expense of Assignee, timely execute and deliver any additional documents and perform such additional acts necessary or desirable to record and perfect the interest of Assignee in and to the Spiegel Name and to the Transferred Intellectual Property, and shall not enter into any agreement in conflict with this Assignment. The U.S. Assignors agree to assist Assignee in every legal way to evidence, record and perfect the assignment set forth in Section 1 hereof and to apply for and obtain recordation of and from time to time enforce, maintain, and defend the assigned rights. If Assignee is unable for any reason whatsoever to secure the U.S. Assignors’ signatures to any document it is entitled to under this Section 4, the U.S. Assignors hereby irrevocably designate and appoint Assignee, its duly authorized officers and agents, as their agents and attorneys-in-fact with full power of substitution to act for and on their behalf and instead of the U.S. Assignors, to execute and file any such document or documents and to do all other lawfully permitted acts to further the purposes of the foregoing with the same legal force and effect as if executed by the U.S. Assignors.

5. Moral Rights; Competition; Marketing. To the extent allowed by law, the assignment of the Spiegel Name and the Transferred Intellectual Property in Section 1 hereof includes all rights of integrity, disclosure and withdrawal and any other rights that may be known as or referred to as “moral rights,” “artist’s rights,” “droit moral” or the like (collectively, “Moral Rights”). To the extent the U.S. Assignors retain any such Moral Rights under applicable law, the U.S. Assignors hereby ratify and consent to, and provide all necessary ratifications and consents to, any action that may be taken with respect to such Moral Rights by or authorized by Assignee and the U.S. Assignors agree not to assert any Moral Rights with respect thereto. The U.S. Assignors will confirm any such ratifications, consents and agreements from time to time as requested by Assignee. The U.S. Assignors also agree not to sue or challenge in any manner, the validity of the assignment set forth in this Assignment and Assignee’s rights to the Transferred Intellectual Property.

6. Governing Law. This Assignment shall be governed by and construed in accordance with, the Laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the personal jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions

contemplated thereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court).

7. Counterparts. This Assignment may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, each Party has caused this Assignment to be executed by its duly authorized representative.

SPIEGEL, INC.

By: _____
Name:
Title:

SPIEGEL CATALOG, INC.

By: _____
Name:
Title:

SPIEGEL PUBLISHING CO.

By: _____
Name:
Title:

SPIEGEL CATALOG SERVICES, LLC

By: _____
Name:
Title:

[NEWCO]

By: _____
Name:
Title:

SCHEDULE A

<u>Country</u>	<u>Application No.</u>	<u>Patent No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
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SCHEDULE B

<u>Country</u>	<u>Title</u>	<u>App. No.</u>	<u>Reg. No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
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SCHEDULE C

<u>Country</u>	<u>Mark</u>	<u>App. No.</u>	<u>Reg. No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
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SCHEDULE D

Domain Name

Registering Authority

EXHIBIT 1.01(a)(ii)

FORM OF ASSIGNMENT OF CANADIAN TRANSFERRED INTELLECTUAL PROPERTY

EXHIBIT 1.01(a)(ii)

ASSIGNMENT OF CANADIAN TRANSFERRED INTELLECTUAL PROPERTY

This ASSIGNMENT OF CANADIAN TRANSFERRED INTELLECTUAL PROPERTY (this "Assignment"), effective the _____ day of _____, 2004, is made and entered into by and between Spiegel Group Teleservices-Canada, Inc. (the "Canadian Assignor"), an Ontario corporation, and [Canadian Purchaser] ("Assignee") (each a "Party," and collectively, the "Parties"). Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (defined below).

WHEREAS, the Canadian Assignor is the owner of the Transferred Intellectual Property including but not limited to the patents and patent applications set forth on Schedule A hereto, (ii) the copyright registrations and copyright applications set forth on Schedule B hereto, (iii) the trademark registrations, trademark applications, including those pending trademarks filed as intent-to-use applications (the "ITU Marks"), and any and all goodwill symbolized thereby, set forth on Schedule C hereto and the domain name registrations set forth on Schedule D hereto;

WHEREAS, the Canadian Assignor has a *bona fide* intent to use the ITU Marks in connection with the goods and/or services for which each application for an ITU Mark has been filed;

WHEREAS, Spiegel, Inc., Spiegel Catalog, Inc., Spiegel Publishing Co., Spiegel Catalog Services, LLC, the Canadian Assignor and Spiegel Catalog International Limited entered into that certain Amended and Restated Stock and Asset Purchase Agreement dated as of June 7, 2004 (the "Purchase Agreement"), pursuant to which the Canadian Assignor agreed to transfer the Canadian Purchased Assets to Assignee, including all of the Canadian Assignor's right, title and interest in and to the Transferred Intellectual Property, and that portion of the Canadian Assignor's business in which the Canadian Assignor have a *bona fide* intent to use the ITU Marks; and

WHEREAS, the execution and delivery of this Assignment is a condition to Closing.

NOW THEREFORE, for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Effective upon the Closing, the Canadian Assignor hereby assigns to Assignee all of the Canadian Assignor's right, title and interest in and to the Transferred Intellectual Property, including all rights therein provided by international conventions and treaties, the right to sue for past, present and future infringement, and goodwill incorporated or embodied in, used to develop, or related to the Transferred Intellectual Property.

2. No Warranties. Except as expressly provided in the Purchase Agreement, the Canadian Assignor makes no warranties, express or implied, with respect to the Transferred Intellectual Property.

3. Registrant Name Change Agreement. Within thirty (30) days following the Closing, the Canadian Assignor shall (i) execute or otherwise complete the applicable registrant name change agreement or other forms required by the applicable Internet domain name registrar

for each domain name included in the Transferred Intellectual Property (the “Registering Authority”) to transfer such domain names to Assignee on an expedited basis, (ii) submit or file such registrant name change agreements or other forms to or with the Registering Authority in accordance with the policies and rules of the Registering Authority, and (iii) take any further actions in accordance with the policies and rules of the Registering Authority as required to transfer such domain names to Assignee on an expedited basis.

4. Further Assurances. The Canadian Assignor shall, at the cost and expense of Assignee, timely execute and deliver any additional documents and perform such additional acts necessary or desirable to record and perfect the interest of Assignee in and to the Transferred Intellectual Property, and shall not enter into any agreement in conflict with this Assignment. The Canadian Assignor agrees to assist Assignee in every legal way to evidence, record and perfect the assignment set forth in Section 1 hereof and to apply for and obtain recordation of and from time to time enforce, maintain, and defend the assigned rights. If Assignee is unable for any reason whatsoever to secure the Canadian Assignor’s signatures to any document it is entitled to under this Section 4, the Canadian Assignor hereby irrevocably designates and appoints Assignee, its duly authorized officers and agents, as their agents and attorneys-in-fact with full power of substitution to act for and on their behalf and instead of the Canadian Assignor, to execute and file any such document or documents and to do all other lawfully permitted acts to further the purposes of the foregoing with the same legal force and effect as if executed by the Canadian Assignor.

5. Moral Rights; Competition; Marketing. To the extent allowed by law, the assignment of the Transferred Intellectual Property in Section 1 hereof includes all rights of integrity, disclosure and withdrawal and any other rights that may be known as or referred to as “moral rights,” “artist’s rights,” “droit moral” or the like (collectively, “Moral Rights”). To the extent the Canadian Assignor retains any such Moral Rights under applicable law, the Canadian Assignor hereby ratifies and consents to, and provides all necessary ratifications and consents to, any action that may be taken with respect to such Moral Rights by or authorized by Assignee and the Canadian Assignor agree not to assert any Moral Rights with respect thereto. The Canadian Assignor will confirm any such ratifications, consents and agreements from time to time as requested by Assignee. The Canadian Assignor also agrees not to sue or challenge in any manner, the validity of the assignment set forth in this Assignment and Assignee’s rights to the Transferred Intellectual Property.

6. Governing Law. This Assignment shall be governed by and construed in accordance with, the laws of the province of Ontario and the laws of Canada applicable therein. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the personal jurisdiction of the Canadian Court for any litigation arising out of or relating to this Agreement and the transactions contemplated thereby (and agrees not to commence any litigation relating thereto except in the Canadian Court).

7. Counterparts. This Assignment may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, each Party has caused this Assignment to be executed by its duly authorized representative.

SPIEGEL GROUP TELESERVICES-
CANADA, INC.

By: _____
Name:
Title:

[CANADIAN PURCHASER]

By: _____
Name:
Title:

SCHEDULE A

<u>Country</u>	<u>Application No.</u>	<u>Patent No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
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SCHEDULE B

<u>Country</u>	<u>Title</u>	<u>App. No.</u>	<u>Reg. No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
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SCHEDULE C

<u>Country</u>	<u>Mark</u>	<u>App. No.</u>	<u>Reg. No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
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SCHEDULE D

Domain Name

Registering Authority

EXHIBIT 1.01(b)(i)

FORM OF U.S. ASSUMPTION AGREEMENT

EXHIBIT 1.01(b)(i)

U.S. ASSUMPTION AGREEMENT

THIS U.S. ASSUMPTION AGREEMENT, dated as of _____, 2004 (this “Assumption Agreement”), is among Spiegel Catalog, Inc. (“Catalog”), a Delaware corporation and a wholly owned subsidiary of Spiegel, Inc. (“Spiegel”), Spiegel Publishing Co., an Illinois corporation and a wholly owned subsidiary of Spiegel and Spiegel Catalog Services, LLC, an Ohio limited liability corporation whose sole member is Catalog (collectively, the “U.S. Sellers”), and [NEWCO], a Delaware corporation (the “Company”).

WHEREAS, Spiegel, the U.S. Sellers, Spiegel Group Teleservices-Canada, Inc. and the Company have entered into an Amended and Restated Stock and Asset Purchase Agreement, dated as of June 7, 2004 (the “Acquisition Agreement”; unless otherwise defined herein, capitalized terms shall be used herein as defined in the Agreement);

WHEREAS, pursuant to the Acquisition Agreement, the Company has agreed to assume, pay, perform and discharge when due, any and all of the U.S. Assumed Liabilities; and

WHEREAS, the execution and delivery of this Assumption Agreement by the Company is a condition to the obligations of the U.S. Sellers to consummate the transactions contemplated by the Acquisition Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the U.S. Sellers hereby agree as follows:

1. Assumption of Liabilities. The Company hereby assumes, and agrees to pay, perform and discharge when due, all of the U.S. Assumed Liabilities.

(b) Notwithstanding the foregoing provisions of paragraph (a), the Company does not assume, or agree to pay, perform or discharge when due, any Liabilities of the U.S. Sellers other than the U.S. Assumed Liabilities including, without limitation, the Excluded Liabilities.

2. Assignment. This Assumption Agreement may not be assigned by operation of law or otherwise without the express written consent of the U.S. Sellers and the Company (which consent may be granted or withheld in the sole discretion of the U.S. Sellers or the Company); provided, however, that the Company may assign this Assumption Agreement or any of its rights and obligations hereunder to one or more Affiliates of the Company without the consent of the U.S. Sellers, but no such assignment shall relieve the Company of its obligations hereunder.

3. No Third Party Beneficiaries. This Assumption Agreement shall be binding upon and inure solely to the benefit of the parties hereto, their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this

Assumption Agreement. Nothing in this Assumption Agreement shall preclude or prohibit the Company from contesting in good faith the legality or enforceability of any debt, liability, contract or obligation assumed by the Company hereunder.

4. Amendment. This Assumption Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, the U.S. Sellers and the Company or (b) by a waiver pursuant to Section 5 below.

5. Waiver. Any party to this Assumption Agreement may (a) extend the time for the performance of any of the obligations or other acts of any other party or (b) waive compliance with any of the agreements of the other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Assumption Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any such rights.

6. Severability. If any term or other provision of this Assumption Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Assumption Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Assumption Agreement is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Assumption Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Assumption Agreement are consummated as originally contemplated to the greatest extent possible.

7. Counterparts. This Assumption Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

8. Governing Law. This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the personal jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Assumption Agreement (and agrees not to commence any litigation relating hereto except in the Bankruptcy Court).

9. Conflicts. Neither the making nor the acceptance of this Assumption Agreement shall enlarge, restrict or otherwise modify the terms of the Acquisition Agreement or constitute a waiver or release by the U.S. Sellers or the Company of any liabilities, duties or obligations imposed upon them by the terms of the Acquisition Agreement.

IN WITNESS WHEREOF, this Assumption Agreement has been executed by the parties hereto as of the date first above written.

SPIEGEL CATALOG, INC.

By: _____
Name:
Title:

SPIEGEL PUBLISHING CO.

By: _____
Name:
Title:

SPIEGEL CATALOG SERVICES, LLC

By: _____
Name:
Title:

[NEWCO]

By: _____
Name:
Title:

EXHIBIT 1.01(b)(ii)

FORM OF CANADIAN ASSUMPTION AGREEMENT

EXHIBIT 1.01(b)(ii)

CANADIAN ASSUMPTION AGREEMENT

THIS CANADIAN ASSUMPTION AGREEMENT, dated as of _____, 2004 (this "Assumption Agreement"), is made and entered into by and between Spiegel Group Teleservices-Canada, Inc. (the "Canadian Seller"), an Ontario corporation, and [Canadian Purchaser] (the "Company").

WHEREAS, Spiegel, Inc., Spiegel Catalog, Inc., Spiegel Publishing Co., Spiegel Catalog Services, LLC, the Canadian Seller and the Company have entered into an Amended and Restated Stock and Asset Purchase Agreement, dated as of June 7, 2004 (the "Acquisition Agreement"; unless otherwise defined herein, capitalized terms shall be used herein as defined in the Agreement);

WHEREAS, pursuant to the Acquisition Agreement, the Company has agreed to assume, pay, perform and discharge when due, any and all of the Canadian Assumed Liabilities; and

WHEREAS, the execution and delivery of this Assumption Agreement by the Company is a condition to the obligations of the Canadian Seller to consummate the transactions contemplated by the Acquisition Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Canadian Seller hereby agree as follows:

1. Assumption of Liabilities. The Company hereby assumes, and agrees to pay, perform and discharge when due, all of the Canadian Assumed Liabilities.

(b) Notwithstanding the foregoing provisions of paragraph (a), the Company does not assume, or agree to pay, perform or discharge when due, any Liabilities of the Canadian Seller other than the Canadian Assumed Liabilities including, without limitation, the Excluded Liabilities.

2. Assignment. This Assumption Agreement may not be assigned by operation of law or otherwise without the express written consent of the Canadian Seller and the Company (which consent may be granted or withheld in the sole discretion of the Canadian Seller or the Company); provided, however, that the Company may assign this Assumption Agreement or any of its rights and obligations hereunder to one or more Affiliates of the Company without the consent of the Canadian Seller, but no such assignment shall relieve the Company of its obligations hereunder.

3. No Third Party Beneficiaries. This Assumption Agreement shall be binding upon and inure solely to the benefit of the parties hereto, their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this

Assumption Agreement. Nothing in this Assumption Agreement shall preclude or prohibit the Company from contesting in good faith the legality or enforceability of any debt, liability, contract or obligation assumed by the Company hereunder.

4. Amendment. This Assumption Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, the Canadian Seller and the Company or (b) by a waiver pursuant to Section 5 below.

5. Waiver. Any party to this Assumption Agreement may (a) extend the time for the performance of any of the obligations or other acts of any other party or (b) waive compliance with any of the agreements of the other party or conditions to such party's obligations contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Assumption Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any such rights.

6. Severability. If any term or other provision of this Assumption Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Assumption Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Assumption Agreement is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Assumption Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Assumption Agreement are consummated as originally contemplated to the greatest extent possible.

7. Counterparts. This Assumption Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

8. Governing Law. This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the province of Ontario and the laws of Canada applicable therein. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the personal jurisdiction of the Canadian Court for any litigation arising out of or relating to this Assumption Agreement (and agrees not to commence any litigation relating hereto except in the Canadian Court).

9. Conflicts. Neither the making nor the acceptance of this Assumption Agreement shall enlarge, restrict or otherwise modify the terms of the Acquisition Agreement or constitute a waiver or release by the Canadian Seller or the Company of any liabilities, duties or obligations imposed upon them by the terms of the Acquisition Agreement.

IN WITNESS WHEREOF, this Assumption Agreement has been executed by the parties hereto as of the date first above written.

SPIEGEL GROUP TELESERVICES-CANADA,
INC.

By: _____
Name:
Title:

[CANADIAN PURCHASER]

By: _____
Name:
Title:

EXHIBIT 1.01(c)(i)

FORM OF U.S. BILL OF SALE AND ASSIGNMENT

EXHIBIT 1.01(c)(i)

U.S. BILL OF SALE AND ASSIGNMENT

U.S. BILL OF SALE AND ASSIGNMENT, dated as of [____], 2004 (this "Bill of Sale"), from Spiegel Catalog, Inc. ("Catalog"), a Delaware corporation and a wholly owned subsidiary of Spiegel, Inc. ("Spiegel"), Spiegel Publishing Co., an Illinois corporation and a wholly owned subsidiary of Spiegel, and Spiegel Catalog Services, LLC, an Ohio limited liability corporation whose sole member is Catalog (collectively, the "U.S. Sellers"), to [NEWCO], a Delaware corporation (the "Company").

WHEREAS, Spiegel, the U.S. Sellers, Spiegel Group Teleservices-Canada, Inc. and the Company have entered into an Amended and Restated Stock and Asset Purchase Agreement, dated as of June 7, 2004 (the "Acquisition Agreement"; unless otherwise defined herein, capitalized terms shall be used herein as defined in the Acquisition Agreement); and

WHEREAS, the execution and delivery of this Bill of Sale by the U.S. Sellers is a condition to the obligations of the Company to consummate the transactions contemplated by the Acquisition Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the U.S. Sellers do hereby agree as follows:

1. Sale and Assignment of Assets and Properties. The U.S. Sellers hereby sell, assign, transfer, convey, grant, bargain, set over, release, deliver, vest and confirm unto the Company and its successors and assigns, forever, the entire rights, titles and interests of the U.S. Sellers free and clear of all Liens, as set forth in the Approval Order (other than the U.S. Assumed Liabilities), in and to any and all of the U.S. Purchased Assets.

2. Obligations and Liabilities Not Hereby Assumed. Nothing expressed or implied in this Bill of Sale shall be deemed to be an assumption by the Company or its subsidiaries of any Liabilities of the U.S. Sellers. Neither the Company nor its subsidiaries, by this Bill of Sale, agree to assume or agree to pay, perform or discharge any Liabilities of the U.S. Sellers of any nature, kind or description whatsoever.

3. Further Assurances. The U.S. Sellers hereby covenant and agree that, at any time and from time to time after the date of this Bill of Sale, at the Company's request, the U.S. Sellers will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, any and all further acts, conveyances, transfers, assignments, and assurances as necessary to grant, sell, convey, assign, transfer, set over to or vest in the Company any of the Purchased Assets. The U.S. Sellers hereby irrevocably constitute and appoint the Company the true and lawful attorney of the U.S. Sellers with full power of substitution, in the name of the U.S. Sellers or otherwise, on behalf of and for the benefit of the Company, to demand and receive from time to time any and all property of the U.S. Sellers hereby conveyed, transferred, assigned and delivered or intended so to be; to give receipts, releases and acquittance for the same or any part thereof; from time to time to institute and prosecute in the name of the U.S. Sellers or otherwise, but at the expense and for the benefit of the Company, any and all proceedings at law, in equity or otherwise, that the Company may deem to collect, asset or

enforce any claim, title, right, debt, or account hereby transferred and assigned or intended so to be; and to defend and compromise any action, suit or proceeding in respect of any of the properties hereby assigned and transferred or intended so to be, that the Company may deem desirable. The U.S. Sellers hereby declare that the foregoing powers are coupled with an interest and will be irrevocable by it in any manner or for any reason.

4. No Third Party Beneficiaries. This Bill of Sale shall be binding upon and inure solely to the benefit of the Company and its respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Bill of Sale.

5. Severability. If any term or other provision of this Bill of Sale is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Bill of Sale shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either the U.S. Sellers or the Company.

6. Governing Law. This Bill of Sale shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, this Bill of Sale has been executed by the U.S. Sellers as of the date first above written.

SPIEGEL CATALOG, INC.

By: _____
Name:
Title:

SPIEGEL PUBLISHING CO.

By: _____
Name:
Title:

SPIEGEL CATALOG SERVICES, LLC

By: _____
Name:
Title:

EXHIBIT 1.01(C)(ii)

FORM OF CANADIAN BILL OF SALE AND ASSIGNMENT

EXHIBIT 1.01(c)(ii)

CANADIAN BILL OF SALE AND ASSIGNMENT

CANADIAN BILL OF SALE AND ASSIGNMENT, dated as of _____, 2004 (this "Bill of Sale"), from Spiegel Group Teleservices-Canada, Inc. (the "Canadian Seller"), an Ontario corporation, to [Canadian Purchaser] (the "Company").

WHEREAS, Spiegel, Inc., Spiegel Catalog, Inc., Spiegel Publishing Co., Spiegel Catalog Services, LLC, the Canadian Seller and the Company have entered into an Amended and Restated Stock and Asset Purchase Agreement, dated as of June 7, 2004 (the "Acquisition Agreement"; unless otherwise defined herein, capitalized terms shall be used herein as defined in the Acquisition Agreement); and

WHEREAS, the execution and delivery of this Bill of Sale by the Canadian Seller is a condition to the obligations of the Company to consummate the transactions contemplated by the Acquisition Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Canadian Seller does hereby agree as follows:

1. Sale and Assignment of Assets and Properties. The Canadian Seller hereby sells, assigns, transfers, conveys, grants, bargains, sets over, releases, delivers, vests and confirms unto the Company and its successors and assigns, forever, the entire rights, titles and interests of the Canadian Seller free and clear of all Liens, as set forth in the Canadian Approval Order (other than the Canadian Assumed Liabilities), in and to any and all of the Canadian Purchased Assets.

2. Obligations and Liabilities Not Hereby Assumed. Nothing expressed or implied in this Bill of Sale shall be deemed to be an assumption by the Company or its subsidiaries of any Liabilities of the Canadian Seller. Neither the Company nor its subsidiaries, by this Bill of Sale, agree to assume or agree to pay, perform or discharge any Liabilities of the Canadian Seller of any nature, kind or description whatsoever.

3. Further Assurances. The Canadian Seller hereby covenants and agrees that, at any time and from time to time after the date of this Bill of Sale, at the Company's request, the Canadian Seller will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, any and all further acts, conveyances, transfers, assignments, and assurances as necessary to grant, sell, convey, assign, transfer, set over to or vest in the Company any of the Canadian Purchased Assets. The Canadian Seller hereby irrevocably constitutes and appoints the Company the true and lawful attorney of the Canadian Seller with full power of substitution, in the name of the Canadian Seller or otherwise, on behalf of and for the benefit of the Company, to demand and receive from time to time any and all property of the Canadian Seller hereby conveyed, transferred, assigned and delivered or intended so to be; to give receipts, releases and acquittance for the same or any part thereof; from time to time to institute and prosecute in the name of the Canadian Seller or otherwise, but at the expense and for the benefit of the Company, any and all proceedings at law, in equity or

otherwise, that the Company may deem to collect, asset or enforce any claim, title, right, debt, or account hereby transferred and assigned or intended so to be; and to defend and compromise any action, suit or proceeding in respect of any of the properties hereby assigned and transferred or intended so to be, that the Company may deem desirable. The Canadian Seller hereby declares that the foregoing powers are coupled with an interest and will be irrevocable by it in any manner or for any reason.

4. No Third Party Beneficiaries. This Bill of Sale shall be binding upon and inure solely to the benefit of the Company and its respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Bill of Sale.

5. Severability. If any term or other provision of this Bill of Sale is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Bill of Sale shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either the Canadian Seller or the Company.

6. Governing Law. This Bill of Sale shall be governed by, and construed in accordance with, the laws of the province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF, this Bill of Sale has been executed by the Canadian Seller as of the date first above written.

SPIEGEL GROUP TELESERVICES-CANADA,
INC.

By: _____
Name:
Title:

EXHIBIT 1.01(d)

SELLERS' KNOWLEDGE

Daniel Ehrmann

Geralynn Madonna

EXHIBIT 2.01(a)(xvi)

BANK ACCOUNTS

	<u>Legal Entity</u>	<u>Bank Acct #</u>	<u>GL Acct #</u>
Suntrust Bank	Spiegel, Inc.	702184764	1012300
Bank One of Columbus	Spiegel, Inc.	980246406	1012400
FSMC-New Refunds	Spiegel, Inc.	708097	1013905
Bank of New York	Spiegel Catalog, Inc.	300975844	1015000
LaSalle Bank – Customs	Spiegel Catalog, Inc.	5800401241	1015700
LaSalle Expeditors	Spiegel Catalog, Inc.		101600

EXHIBIT 2.03(b)

ALLOCATION OF PURCHASE PRICE

Within 75 days following the Closing Date, the Purchaser shall prepare and deliver to the Sellers an allocation of the Purchase Price as contemplated by Section 2.03(b). The Sellers may dispute the allocation of the Purchase Price and shall notify the Purchaser in writing of any such dispute within 45 days of the Purchaser's delivery of the allocation of the Purchase Price to the Sellers (which notice will set forth in reasonable detail all items in the allocation which the Sellers dispute). In the event of such a dispute, the Sellers and the Purchaser shall attempt to reconcile their differences. If the Sellers and the Purchaser are unable to reach a resolution with such effect within 30 days after receipt by the Purchaser of the Sellers' written notice of dispute, the Sellers and the Purchaser shall submit the dispute to the Sellers' Accountants and the Purchaser's Accountants, who shall attempt to reconcile the differences, and any resolution by them as to any such dispute shall be final and binding on the parties hereto. If the Sellers' Accountants and the Purchaser's Accountants are unable to reach a resolution with such effect within 30 days after submission to them of such items remaining in dispute, the Sellers and the Purchaser shall submit the items then remaining in dispute for resolution to the Independent Accounting Firm, which shall, as soon as practicable after such submission, determine and report to the Sellers and the Purchaser upon such remaining disputed items, and such report shall be final and binding on the Sellers and the Purchaser. The fees and disbursements of the Independent Accounting Firm shall be allocated between the Purchaser, on the one hand, and the Sellers, on the other hand, in the same proportion as the aggregate amount of such remaining disputed items so submitted to the Independent Accounting Firm that is unsuccessfully disputed by each such party (as finally determined by the Independent Accounting Firm) bears to the total amount of such remaining disputed items so submitted. The allocation of the Purchase Price shall be final and binding on the parties at the first to occur of (i) the failure of the Sellers to timely provide written notice of dispute, (ii) the resolution by the Purchaser and the Sellers of all disputed items, (iii) resolution by the Sellers' Accountants and the Purchaser's Accountants of all remaining disputed items and (iv) resolution by the Independent Accounting Firm of any remaining disputed items.

EXHIBIT 2.13(a)

CALCULATION OF ADJUSTED CLOSING NET CURRENT ASSETS

	Calculation of Reference Net Current Assets	Calculation of Adjusted Closing Net Current Assets
<u>CURRENT ASSETS:</u>		
CASH (IN THE BANK ACCOUNTS)	0	
NET TRADE ACCOUNTS RECEIVABLE	11,420	
NET INVENTORY	29,134	
PREPAID ADVERTISING EXPENDITURES	6,269	
TOTAL OTHER PREPAID EXPENSES	1,214	
TOTAL CURRENT ASSETS	48,037	
<u>CURRENT LIABILITIES:</u>		
TOTAL ACCOUNTS PAYABLE	17,729	
ALLOWANCE FOR FUTURE RETURNS	3,788	
ACCRUED LIABILITIES	1,120	
TOTAL CURRENT LIABILITIES	22,637	
NET ASSETS	25,400	

EXHIBIT 5.07

FORM OF TRANSITION SERVICES AGREEMENT

EXHIBIT 5.07

TRANSITION SERVICES AGREEMENT

TRANSITION SERVICES AGREEMENT, dated as of _____, 2004 (this "Agreement"), among Spiegel Catalog, Inc. ("Catalog"), a Delaware corporation and a wholly owned subsidiary of Spiegel, Inc. ("Spiegel"), Spiegel Publishing Co., an Illinois corporation and a wholly owned subsidiary of Spiegel ("Publishing"), Spiegel Catalog Services, LLC, an Ohio limited liability corporation whose sole member is Catalog ("LLC"), and Spiegel Group Teleservices-Canada, Inc., an Ontario corporation and a wholly owned subsidiary of Spiegel ("SGTS-Canada") (each of Catalog, Publishing, LLC and SGTS-Canada individually or collectively, as the case may be, "SP"), and [Spiegel Catalog International Limited and/or Newco] ("SR").

W I T N E S S E T H:

WHEREAS, Spiegel, SP and SR have entered into an Amended and Restated Stock and Asset Purchase Agreement, dated as of June 7, 2004 (the "Acquisition Agreement"; all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Acquisition Agreement), pursuant to which SP and Spiegel agreed to sell to SR and Newco (and SR and Newco agreed to purchase from SP and Spiegel) certain assets relating to the business of selling women's apparel and other merchandise through a catalog entitled "Spiegel Catalog" and an e-commerce site (www.spiegel.com) of SP and Spiegel and the call center services of SGTS-Canada, all as more particularly set forth in the Acquisition Agreement;

WHEREAS, it is contemplated under Section 5.07 of the Acquisition Agreement that SP will provide to SR and its subsidiaries those services reasonably necessary for the conduct of the Business during the transitional period following the date hereof;

WHEREAS, both SP and SR acknowledge that as of the date of the Acquisition Agreement the Business operates using several stand-alone operating systems and other operating systems that are fully integrated with Spiegel and certain of its non-Seller Affiliates; and

WHEREAS, SP is willing to provide, or cause to be provided, such services to SR on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, SP and SR hereby agree as follows:

1. Provision of Transition Services; Reimbursement of Expenses. (a) SP agrees to provide, or procure to be provided to SR and its subsidiaries, for the periods specified on Exhibit A hereto (the "Term"), each line item of service set forth herein and/or on Exhibit A hereto (each such item, a "Line Item of Service", and, collectively, all services provided hereunder being the "Transition Services", with the length of time for which any Transition Service is provided hereunder being the "Transition Period"). SP shall provide, or procure to be provided, the Transition Services pursuant to this Agreement in a commercially reasonable manner consistent with the manner and level of care with which such services were previously conducted by SP. During the Term, SP shall assist SR in the transfer of responsibility for the Transition Services to SR and SR shall use all

commercially reasonable efforts to assume the responsibility for the Transition Services as promptly as practicable; provided, however, that despite SR's stated intention to migrate all operating systems into their (or their Affiliates') otherwise existing operating system(s), SP makes no representation or warranty or in any way agrees that upon termination of the Transition Services provided hereunder SR's operating system(s) will be functional.

(b) SR shall reimburse SP promptly upon the receipt by SR of a reasonably detailed written invoice from SP for each Line Item of Service (including the Service Fee) rendered hereunder. SR shall reimburse SP for SP's fully allocated cost for each Line Item of Service. Except as set forth in Section 5 of this Agreement or as set forth on Exhibit A, Number 7 (including Schedule VII) hereto, any payments pursuant to this Agreement shall be made within thirty (30) days after the date of receipt by SR of SP's invoice. SP reserves the right to charge interest on any amount which has been due from SR for more than thirty (30) days, at a rate equal to eight percent (8%) per annum, and to suspend performance under this Agreement upon failure of SR to make three or more payments.

(c) Subject to its obligations to make payments pursuant to this Agreement for services previously rendered, SR may terminate any or all Line Items of Service, either in whole or in part, under this Agreement upon thirty (30) days' written notice. If any Line Items of Service are terminated in the middle of a month or other measurement period, then SR's obligations with respect to such Line Item of Service shall be prorated based on the number of days in the month or other measurement period during which such Line Item of Service was still being provided.

(d) With respect to a particular Line Item of Service, SP shall be responsible for selecting and supervising the employees who will perform any particular Line Item of Service and administering such employees, i.e. setting such employees' hours of work, establishing compensation structure, work load balancing, etc., subject to Section 1(a) hereof. Unless directed otherwise by SR, SP shall be solely responsible for the proper and timely performance of the Transition Services by such employees. SR shall have the right to assist SP in directing the employees assigned to perform specific Line Items of Service with respect to the substance of their work and for determining authorization levels governing each particular Line Item of Service and funds that employees will have the right to commit to each Line Item of Service.

(e) SP represents and warrants to SR that: (i) SP has the full right, power and authority to enter into this Agreement and to perform the acts required of SP hereunder; (ii) SP's execution of this Agreement and the performance by SP of its obligations and duties hereunder do not and will not violate any applicable laws and regulations or any agreement to which SP is a party or by which SP is otherwise bound or any third party intellectual property or other right; (iii) this Agreement is enforceable against SP in accordance with its terms and (iv) the performance of each of the Transition Services and the systems used in connection therewith shall in all material respects comply with any and all applicable laws and regulations, shall not infringe upon any patent, trademark, copyright, trade secret or other intellectual property right in any material respect and shall conform to prescribed specifications therefor in all material respects.

(f) SR agrees to indemnify SP and its affiliates, officers, directors, employees, agents, successors and assigns for and hold them harmless from any liabilities, losses, damages, costs and expenses (including reasonable attorney's fees) incurred by any of them arising out of the

provision by SP or any of its affiliates of Transition Services, except where such liabilities, losses, damages, costs and expenses arise out of the gross negligence, willful misconduct or bad faith of, or the violation of any Law by, any of such persons, or willful breach of any of SP's obligations under this Agreement.

(g) SP agrees to indemnify SR and its affiliates, officers, directors, employees, agents, successors and assigns for and hold them harmless from any liabilities, losses, damages, costs and expenses (including reasonable attorney's fees) incurred by any of them arising out of the gross negligence, willful misconduct or bad faith of, or the violation of any Law by SP, or the willful breach of any of SP's obligations under this Agreement.

(h) From and after the date of this Agreement, SP shall designate a liaison to act between SP and SR to oversee and facilitate the Transition Services at no charge to SR. SP and SR agree that Daniel Ehrmann of Alvarez and Marsal L.L.P. shall act as such liaison for the first three months after the date of this Agreement; provided, however, that such three month period may be terminated prior to the expiration of the three month period upon mutual consent of the parties, such consent not to be unreasonably withheld. At the conclusion of such three month period, the parties will use good faith efforts to mutually agree upon an individual (who may be Daniel Ehrmann) to act as such a liaison and the time frame during which such individual shall act as liaison.

(i) SR acknowledges, agrees and accepts that: (i) in order to support the running of the Spiegel Catalog business on the Newport News' operating systems, modifications to the Newport News operating systems may be necessary; (ii) programmers from Newport News and SP (or its Affiliates) may be making the modifications referred to in clause (i) of this Section 1(i) and due to the expedited timeline dictated by the business calendar, testing of these changes may be limited; (iii) given the amount of changes necessary and the limited time for testing, system problems may occur; (iv) if problems of the type described in clause (iii) of this Section 1(i) arise, it will affect Spiegel Catalog and also may impact negatively information technology service levels to Newport News; and (v) if problems of the type described in clause (iii) of this Section 1(i) arise, SR agrees to continue payments under this Agreement even if service levels are negatively impacted as described in clause (iv) of this Section 1(i).

2. Force Majeure. The obligations of SP or SR shall be suspended during the period and to the extent that SP or SR, as the case may be, is prevented or hindered from complying therewith by any of the following causes beyond its reasonable control: (i) acts of God, (ii) weather, fire or explosion, (iii) war, invasion, riot or other civil unrest, (iv) governmental laws, orders or restrictions, (v) actions, embargoes or blockades in effect on or after the date of this Agreement, (vi) action by any regulatory authority, (vii) national or regional emergency, (viii) strikes, labor stoppages or slowdowns or other industrial disturbances, (ix) shortage of adequate power or transportation facilities, or (x) any other event which is beyond the reasonable control of such party. In such event, the party whose performance is affected thereby shall give notice of suspension as soon as reasonably practicable to the other stating the date and extent of such suspension and the cause thereof, and such party shall resume the performance of such obligations as soon as reasonably practicable after the removal of the cause.

3. Access to Space in Hampton Facility to Provide Call Center Services. In order to permit SP or its Affiliates to provide to SR some or all of the Transition Services set forth in Exhibit A, Number 1 (Call Center Services):

(a) SR hereby grants to SP and its employees and representatives at no charge to SP and its employees and representatives exclusive access to use the Hampton Space (as defined below) for the period commencing on the date hereof and ending on the earlier of (a) the date that is six months from the date hereof or (b) the date upon which SR's occupancy of the Hampton Space is terminated by the landlord for such space; provided, however, that upon the termination of such access, SP's obligation to provide the Transition Services set forth on Exhibit A, Number 1 (Call Center Services) shall also terminate. "Hampton Space" means the space in the Building located at 5000 City Line Road, Hampton, Virginia (the "Hampton Facility") currently occupied by SR in connection with the Business. On or prior to the expiration of the term described above (at such time as the applicable services requiring use of the Hampton Space are terminated) SP shall (i) vacate and surrender the Hampton Space to SR in substantially the same condition as at the beginning of the term described above and (ii) remove its personal effects from the Hampton Space.

(b) SP acknowledges and agrees that the Hampton Space is being delivered and SP accepts such Hampton Space in its "as is" condition with all faults. SR has not made nor does SR make any representations or promises with respect to the Hampton Facility or the Hampton Space and SP agrees that SR does not have any obligation to perform any work or otherwise prepare the Hampton Space for SP's use. SP shall not make any repairs, alterations, installations or improvements to the Hampton Space without the prior written consent of SR. Subject to paragraph (f) below, SR shall not make any alterations, installations or improvements to the Hampton Space that unreasonably interfere with SP's use and enjoyment of the Hampton Space without the consent of SP, which shall not be unreasonably withheld. SR shall ensure that SP will, during the term hereof, be the beneficiary of all services received by SR from the landlord of the Hampton Facility.

(c) SP shall not be permitted to enter any areas within the Hampton Facility other than the Hampton Space and the common areas without the prior consent of SR in each instance.

(d) SP shall comply with (i) all applicable rules, laws and regulations of any governmental or quasi-governmental authority having jurisdiction over the Hampton Space, (ii) the rules and regulations of the landlord of the Hampton Facility and (iii) shall comply with all reasonable rules and regulations SR may, at any time or from time to time, establish regarding the Hampton Space.

(e) SR shall be responsible for the daily cleaning of the Hampton Space. SP shall otherwise maintain and keep the Hampton Space clean and in good repair and tenantable condition throughout the term of the exclusive access granted in this Section 3. SR shall also provide security desk services including the provision of access/security badges to those employees of SP who are regularly employed at the Hampton Space, along with SP's consultants, invitees and visitors, utilities (including heat, air-conditioning and electricity), elevator services and general office maintenance, e.g., light bulb replacement, currently provided by outside vendors to SR.

(f) SR, on SP's behalf and at SP's sole cost and expense, may, but shall not be obligated to, make such repairs to the Hampton Space as and when SR deems necessary including, without limitation, the repair of any damage to the Hampton Space and to any of SR's property located thereon, the need for which arises out of any damage that may occur thereto during the term

of the access granted in this Section 3, and SP shall promptly reimburse SR for the cost thereof, unless such damage is caused by the gross negligence, willful misconduct or bad faith of, or violation of any Law by SR or acts, omissions or occurrences not within SP's reasonable control.

4. [Intentionally Omitted]

5. Employee Transition Services. In order to permit SP to provide to SR the phasing services outlined in Exhibit A, Number 4, Schedule IV (the "Phasing Services"), SP will use commercially reasonable efforts to continue to employ the employees listed on Schedule III hereto (each such employee a "Designated Employee" and collectively, the "Designated Employees") during the Transition Period in accordance with the terms of this Section 5 and Exhibit A, Number 4:

(a) During the Transition Period, the Phasing Services shall be performed by each Designated Employee at the same location as such Designated Employee is employed as of the Closing Date. During the Transition Period, the Phasing Services shall be limited to the same functions and services provided by such Designated Employee to the Sellers, immediately prior to the Closing Date (together with reasonable modifications of such Phasing Services in the ordinary course of business).

(b) The parties hereto agree and acknowledge that SP makes no warranty or guarantee that such Designated Employee will remain in the employ of SP for all or part of the Transition Period. The parties hereto further agree and acknowledge that SP shall bear no responsibility in connection with the employment, failure to employ or termination of employment of any Designated Employee during the Transition Period.

(c) During the Transition Period, SP shall have the right to terminate the employment of any Designated Employee for cause at any time and without cause (i) after consultation and with the consent of SR and (ii) at the request of SR. In the event that any Designated Employee ceases to be an employee of SP (whether such termination is pursuant to the first sentence of this Section 5(c) or for any other reason) during the Transition Period, such individual shall automatically cease to be a Designated Employee for purposes of Section 5(a).

(d) In the event that any Designated Employee dies or becomes incapacitated by illness or disability during the term of this Agreement, SR shall pay to SP the Base Fee (as defined below) set forth in Section 5(g) associated with such Designated Employee through the date of such illness, disability or death. Nothing in this Section 5(d) is intended to include within the Base Fee any consideration that is paid or provided by SP, if and to the extent that, SP is reimbursed by an insurer or other third party benefit provider.

(e) For the Transition Period, SP and their Affiliates, as applicable, shall be solely responsible for the payment of each Designated Employee's base salary or wages, as the case may be, overtime pay, shift pay, bonuses (including variable pay bonuses and incentive payments under applicable performance/production plans), earned commissions, paid time off and sick pay through SP's payroll at the same rate in effect as of the Closing Date. SP and their Affiliates shall be solely responsible for the filing of any information returns and any other similar returns required to be filed for the Designated Employee with respect to the Transition Period. Each Designated Employee's payroll withholding elections relating to income taxes and group health and welfare plans shall remain the same during the Transition Period as such elections were as of the Closing Date, except to the extent a Designated Employee chooses to make a routine change to any such

election in accordance with applicable plans, regulations and standard practices of SP and their Affiliates or a routine change to the Designated Employee's withholding status or claimed exemptions.

(f) During the Transition Period, each Designated Employee shall continue to be eligible to participate in those employee benefit plans (as amended from time to time) of SP, in which the Designated Employee was eligible to participate as of the Closing Date (the "Benefit Plans"). If amendments are made to any Benefit Plan they shall be applicable to all participants covered by such Benefit Plan and shall otherwise be made in the ordinary course of business. Notwithstanding anything in this Agreement to the contrary, SP and their Affiliates, as applicable, shall be responsible for operating and administering all claims incurred during the Transition Period pursuant to the terms and conditions of the applicable Benefit Plan.

(g) (i) In consideration for the Phasing Services, for each Designated Employee, SR shall pay to SP a fee in an amount representing the costs incurred by SP and their Affiliates for such Designated Employee during the Transition Period, to the extent such costs are incurred or that accrue following the Closing Date:

(A) all gross cash compensation paid to the Designated Employee in accordance with Section 5(e) (e.g., base salary or wages, as the case may be, overtime pay, shift pay, bonuses, (including variable pay bonuses and incentive payments under applicable performance/production plans), earned commissions, paid time off and sick pay) and paid or funded by SP and their Affiliates;

(B) all insurance premiums, expenses (B) or other costs relating to the Benefit Plans, in respect of such Designated Employee and paid or funded by SP and their Affiliates;

(C) all employee benefits and payroll taxes (including, but not limited to, workers' compensation and employer FICA and FUTA tax) in respect of such Designated Employee and paid or funded by SP and their Affiliates;

(D) the cost of cashing out any vacation accrued and unused between the Closing Date and the end of the Transition Period, calculated in a manner consistent with SP's and their Affiliates' past practices;

(E) any amounts or expense reimbursements, including but not limited to business or travel expenses and relocation expenses, paid or funded by SP and their Affiliates to the Designated Employee, in each case consistent with SP's and their Affiliates' past practice and in accordance with the applicable policies of SP and their Affiliates; and

(F) any other costs (including administrative costs) associated with the employments of the Designated Employees.

All such costs, collectively, including Sections 5(g)(A) through (F), are referred to as the "Base Fee".

(ii) SP shall not be required to increase the base salary or wages of any Designated Employee. Notwithstanding Section 5(g)(i) above, the payments made or funded by SP or their Affiliates and to be reimbursed by SR pursuant to this Section 5(g), shall be adjusted to reflect any increase in any Designated Employee's base salary or wages or any increase in any Designated Employee's employee benefits, provided that no such increase will be made without SR's consent.

(iii) The Base Fee shall be inclusive of any sales, use or similar transfer taxes imposed in connection with this Agreement.

(h) No less than two (2) Business Days before each payroll date, SP shall deliver to SR an invoice for the Base Fee for the expenses relating to the Designated Employee set forth in Section 5(g) that are payroll-related (the "Payroll Invoice"). The Payroll Invoice shall be paid by SR in full on a date no later than the close of business on the first Business Day after the applicable payroll date, by wire transfer in immediately available funds to an account designated by SP in the Payroll Invoice. On the last day of the of Transition Period or as soon as practicable thereafter, SP shall deliver to SR an invoice for the Base Fee for expenses relating to the Designated Employees set forth in Section 5(g)(i) that are non-payroll-related (the "Non-Payroll Invoice"). The Non-Payroll Invoice shall be paid by SR in full on a date no later than five days following SR's receipt of the Non-Payroll Invoice, by wire transfer in immediately available funds to an account designated by SP in the Non-Payroll Invoice. The Payroll Invoices and the Non-Payroll Invoices shall be sent to in electronic format to SR's Senior Human Resources Officer, [NAME].

6. Confidentiality. Each of SP and SR hereby acknowledges that such party's confidential information (the "Information") may be exposed to the other parties' employees and agents as a result of the activities contemplated by this Agreement. Each party agrees that such party's obligation to keep confidential the other parties' Information shall be governed by Section 5.03 of the Acquisition Agreement. Section 5.03 of the Acquisition Agreement is incorporated herein by reference.

7. Right to Audit. Except as set forth on Exhibit A, Number 7 (including Schedule VII) hereto, for a period of six months after SR receives an invoice from SP for the provisions of Transition Services, SR shall be provided, subject to the provision contained in Section 7 hereof, reasonable access to and the right to audit, at its cost and expense, by a mutually acceptable nationally recognized accounting firm all of SP's books and records principally relating to the provision of the Transition Services hereunder; provided, however, that neither SR nor any agent of SR shall have access to proprietary technology of SP by virtue of this Section 7. SP shall establish and maintain accurate records for all activities relating to the Transition Services. To the extent that an audit performed by SR raises discrepancies with respect to amounts invoiced by SP, SR and SP will attempt to resolve the discrepancies promptly, but if they are unable to do so, the dispute will be resolved (and the costs and expenses of the dispute, including SR's initial audit costs, shall be divided) in the same manner as if this were a dispute to be resolved pursuant to Section 2.10 of the Acquisition Agreement.

8. Notices. All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following

addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8):

(a) if to SP:

Spiegel Catalog, Inc.
c/o Spiegel, Inc.
3500 Lacey Road
Downers Grove, IL 60515-5432
Facsimile: (413) 702-3573
Attention: General Counsel

with a copy to:

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022-6069
Facsimile: (212) 848-7179
Attention: Andrew V. Tenzer, Esq.

(b) if to SR:

Spiegel Catalog International Limited
Suite 902, 61 Spain Garden Lane
1980 Luo Xiu Road
Minhang, Shanghai
China, 201100
Facsimile: 86-21-6405-9089
Attention: Jordan Rosenberg

with a copy to:

Gould & Ratner
222 North LaSalle Street, Eighth Floor
Chicago, IL 60601
Facsimile: (312) 236-3241
Attention: Christopher J. Horvay, Esq.

9. Independent Contractor. SP shall act as an independent contractor and not as the agent of SR in performing the Transition Services, maintaining control over its employees, its subcontractors and their employees and complying with all withholding of income at source requirements, whether federal, state, local or foreign. No employee of SP performing Transition Services shall be considered an employee of SR or any of its affiliates until such time, if ever, as they accept SR's offer of employment.

10. Assignment. This Agreement may not be assigned by operation of law or otherwise without the express written consent of SP and SR (which consent may be granted or withheld in the sole discretion of SP or SR), as the case may be; provided that SP hereby covenants and agrees that, so long as SR is not in breach of its obligations under this Agreement, if Spiegel

sells its Eddie Bauer business after the date hereof, that SP shall use commercially reasonable efforts necessary to provide that the purchaser of the Eddie Bauer business assumes this Agreement and remains obligated under the terms of this Agreement until the Terms of all Line Items of Service have expired.

11. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

12. Entire Agreement. This Agreement, together with the Acquisition Agreement, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersedes all prior agreements and undertakings, both written and oral, among SP and SR with respect to the subject matter hereof and thereof.

13. Amendment. This Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, SP and SR or (b) by a waiver in writing, any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of either party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

14. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to either party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

15. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN SECTION 12.12 OF THE ACQUISITION AGREEMENT.

16. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate

counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

17. No Additional Rights. Except as expressly provided in this Agreement the parties agree that this Agreement shall not grant to SR any additional rights to SP proprietary information, technology or know-how.

18. Specific Performance. The parties hereto acknowledge and agree that remedies at law would be an inadequate remedy for the breach of any agreement contained herein and that in addition thereto, the parties hereto shall be entitled to specific performance of the terms hereof or other equitable remedies in the event of any such breach.

19. Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the personal jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated thereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court).

20. Currency. Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars.

21. Further Assurances. If at any time any of the parties hereto shall consider or be advised that any further assignments, conveyances or assurances are necessary or desirable to carry out the provisions hereof and the transactions contemplated herein, the appropriate parties hereto shall use commercially reasonable efforts to execute and deliver, or cause to be executed and delivered, any and all proper deeds, assignments and assurances, and do or cause to be done all things necessary or proper to carry out fully the provisions hereof; any costs in connection therewith shall be the responsibility of the party making the request.

22. Survival. The provisions of Sections 1(e)-(g), 6-20 and 22 shall survive the termination of this Agreement.

23. Other Engagements. On an ongoing basis while this Agreement is in effect, SR shall have the right to engage others to provide the same or other services in connection with SR's business as SP is providing hereunder; provided that SR must act in accordance with Section 1(c) hereof with respect to terminating any of the Transition Services.

Remainder of page left blank intentionally.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SPIEGEL CATALOG, INC.

By: _____
Name:
Title:

SPIEGEL PUBLISHING CO.

By: _____
Name:
Title:

SPIEGEL CATALOG SERVICES, LLC

By: _____
Name:
Title:

SPIEGEL GROUP TELESERVICES-
CANADA, INC.

By: _____
Name:
Title:

[SPIEGEL CATALOG INTERNATIONAL
LIMITED and/or NEWCO]

By: _____
Name:
Title:

EXHIBIT A – SERVICES

1. Call Center Services
2. Payroll Processing Services
3. Information Services
4. Employee Transition Services
5. Groveport Assembly and Shipping Services
6. Fisher Road Shipping Services
7. Benefit Services to Transferred Employees

1. Call Center Services

SP will provide the call center services specified on Schedule I for a period of six months after the date hereof in the manner consistent with current practices (which includes their sole discretion with respect to routing of contacts based on the delivery of contact services in the least disruptive manner and with the intention of providing the best cost-performance result), and each line item on Schedule I may be terminated prior to the expiration of the six-month period pursuant to Section 1(c) of this Agreement.

Order forecasts must be supplied by SR to SGTS showing the monthly order detail for the season, in a manner consistent with current practice. The forecasts must be sufficiently accurate for SGTS to anticipate staffing adjustments in order to allow SGTS to best control cost and service. If, in SGTS's sole discretion, the forecasts are not sufficiently accurate, SGTS will advise SR as to the impact on service or cost; provided that SGTS will make good faith efforts to minimize any impact on service or cost.

[Services from New Waterford facility apply only if New Waterford Lease is not included as among the Purchased assets at Closing. Otherwise, delete services from New Waterford Facility.]

Schedule I: Call Center Services 2004 Pricing for Spiegel Catalog

SGTS PRICING AGREEMENT	Spiegel			Newport News			Fixed Cost		
	New Waterford Price	Rapid City Price	Hampton Price	New Waterford Price	Rapid City Price	Hampton Price	New Waterford	Rapid City	Hampton
<u>Service</u>									
<u>Charged Per Agent Minute:</u>									
Sales Calls	0.30			0.30		0.45			
Direct Labor	0.19			0.19		0.26			
Benefits, Vacation, Payroll Tax	0.04			0.04		0.10			
Incentive	0.01			0.01		0.01			
Training	0.01			0.01		0.02			
Management	0.05			0.05		0.06			
Satisfaction Calls	0.31			0.31		0.47			
Direct Labor	0.20			0.20		0.29			
Benefits, Vacation, Payroll Tax	0.05			0.05		0.10			
Incentive	0.02			0.02		0.02			
Training	0.04			0.04		0.06			
Elevated Satisfaction Calls	0.37	0.48	0.48						
Direct Labor	0.18	0.23	0.23						
Benefits, Vacation, Payroll Tax	0.05	0.10	0.10						
Incentive	0.10	0.10	0.10						
Training	0.04	0.05	0.05						
<u>Charged Per Contact:</u>									
Internet	0.42					0.21			
Direct Labor	0.25					0.15			
Benefits, Vacation, Payroll Tax	0.11					0.02			
Incentive	0.02					0.01			
Training	0.05					0.03			
Mail			1.79			1.79			
Direct Labor			0.81			0.81			
Benefits, Vacation, Payroll Tax			0.74			0.74			
Incentive			0.06			0.06			
Training			0.19			0.19			
Reprocessing			0.17						
Direct Labor			0.12						
Benefits, Vacation, Payroll Tax			0.02						
Incentive			0.01						
Training			0.02						
<u>Phone Charged Per Phone Minute:</u>	0.077	0.077	0.077	0.077	0.077	0.077			
<u>Fixed Dollar Charges – Per Month:</u>									
Total SGTS	-	-	-	-	-	-	90,336	140,056	147,055
Occupancy							39,290	93,374	52,712
Depreciation							16,199	9,758	23,719
Management & Support Services							34,847	36,923	70,623
<u>Total IS Allocation – Per Month:</u>									
Fixed Telephone							47,500	39,000	22,300
Data Processing	100,000	Spiegel Total per month		134,638	Newport News Total per month				

2. Payroll Processing Services

SP will provide the administrative, system and tax filing services required to process the payroll of the Transferred Employees for the period of three months following the date hereof at a cost of \$3,900 per month plus \$2 per check (based on 2 checks per month) per associate.

3. Information Services

SP will provide information services in accordance with Schedule II based on and subject to the terms and assumptions set forth on Schedule II for a period of nine months after the date hereof (unless otherwise provided on Schedule II), and line items on Schedule II may be terminated prior to the expiration of the nine-month period pursuant to Section 1(c) of this Agreement. A copy of any proprietary software owned by SP or its Affiliates and used in the Business shall be provided to SR on or before the expiration of the term of provision of the Transition Services set forth on Schedule II (Information Services) at no charge.

Schedule II: Information Services and Fees

Line Item 1:

Total Spiegel Catalog 2004 Budgeted Charge (Excluding Call Center): \$1,500,000 per month

Line Item 2:

Total Spiegel Catalog 2004 TSA Charges (Excluding Call Center): \$700,000 per month

(Total average monthly costs represent costs to support the Business on current systems until transition to Newport News systems occurs; such transition date is assumed to be no later than September 30, 2004; however, as set forth in Section 1(a) hereof, any and all accountability and responsibility for the outcome of such transition resides with the Purchaser. Actual costs are higher than average in the first months as Spiegel systems are running and lower than average at the end of the nine-month term of these Transition Services due to shut down of the Business's direct systems. Processing for the Business is shared with Eddie Bauer on most systems.)

The terms and assumptions underlying these services and costs are as follows:

- The costs set forth above include eight programmers and a portion of one project manager's time in support of the migration of the Business to the Newport News systems. However, as set forth in Section 1(a) hereof, any and all accountability and responsibility for the outcome of such migration resides with the Purchaser.
- Current Spiegel website configuration serviced by Fry continues until August 31, 2004. After August 31, 2004, it is assumed that the Newport News configuration will be utilized, therefore the costs to replicate the current Spiegel website environment are not included.
- It is assumed that the Spiegel marketing contact systems will be shut down June 1, 2004.
- Advanced features continue to be charged with non-dedicated call centers.
- It is assumed that the Rapid City call center will close on October 1, 2004.
- It is assumed that the Hampton call center will remain open during the nine-month term of the Transition Services described on this Schedule II.
- In the event that the transition to Newport News' systems is not complete by September 30, 2004, the monthly fee referred to in Line Item 2 shall increase by \$270,000 (on top of the \$700,000) for each month (or portion thereof) after September 30, 2004.
- In the event that the transition to Newport News' systems is not complete by September 30, 2004 and if SR requires SP to provide the Transition Services referred to in Line Item 2 beyond the date that is nine months from the date hereof, SR shall:
(1) provide written notice to SP on or before the date that is 60 days prior to the

expiration of such nine-month period; and (2) for each month (or portion thereof) beyond the nine-month period, pay a fee that is equal to 110% of the previous month's fee, up to a maximum of \$1,500,000 – i.e., for the first month (or portion thereof) beyond the nine month period, the fee payable by SR would be \$770,000; for the second month beyond the nine month period, the fee payable by SR would be \$847,000; etc.

4. Employee Transition Services

Each month, \$45,000, representing the fixed costs associated with Employees, will be added to the monthly payroll and other employee-related costs payable (as set forth in Section 5 of this Agreement) based on Schedule IV hereto.

Schedule III: Designated Employees

[Names of all [129] employees at closing]

[The remaining 21 employees that are to be Transferred Employees will be denoted with the following footnote: “only if such employee does not become a Transferred Employee pursuant to the Acquisition Agreement”]

Schedule IV: Employee Headcount
(page 1 of 2)

Phasing

	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>
<u>Merchandising</u>							
Planning & Analysis	14	8	5	5	2	2	1
Inventory Control	44	26	21	15	10	8	6
Home	22	13	13	8	7	5	5
Apparel	19	14	14	14	6	6	6
Clearance	12	7	4	4	1	1	-
Sourcing	9	6	5	5	2	2	2
Import	3	2	1	1	-	-	-
Advertising (Creative)	6	5	5	3	2	2	2
Design	3	3	3	3	3	3	3
Technical Design	13	11	11	5	1	1	1
<u>Other</u>							
Marketing	39	18	18	16	16	16	2
Advertising (Production)	5	3	3	3	-	-	-
Finance	21	13	10	7	-	-	-
	<u>210</u>	<u>129</u>	<u>113</u>	<u>89</u>	<u>50</u>	<u>46</u>	<u>28</u>

Note:

- Assumes that all "shared" employees are transferred employees pursuant to the sale of substantially all of the assets of Newport News to SR.
- Spiegel only employees in New York go with Spiegel.

Schedule IV: Employee Headcount
(page 2 of 2)

Phasing

	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04
<u>Merchandising</u>							
Planning & Analysis	71,586	42,161	24,508	24,508	12,550	12,550	7,083
Inventory Control	167,592	109,535	87,806	64,655	46,958	39,975	33,558
Home	126,397	61,172	61,172	41,991	36,949	23,783	23,783
Apparel	108,383	88,733	88,733	88,733	48,917	48,917	48,917
Clearance	56,933	29,792	18,575	18,575	7,667	7,667	-
Sourcing	56,500	26,500	22,750	22,750	9,958	9,958	9,958
Import	13,242	10,042	6,667	6,667	-	-	-
Advertising (Creative)	38,720	34,833	34,833	28,125	20,625	20,625	20,625
Design	16,105	16,105	16,105	16,105	16,105	16,105	16,105
Technical Design	55,650	44,442	44,442	25,442	7,500	7,500	7,500
<u>Other</u>							
Marketing	232,715	119,957	119,957	108,498	108,498	108,498	22,500
Advertising (Production)	33,300	21,500	21,500	21,500	-	-	-
Finance	108,648	65,530	55,480	45,537	-	-	-
	<u>1,085,771</u>	<u>670,302</u>	<u>602,527</u>	<u>513,087</u>	<u>315,728</u>	<u>295,578</u>	<u>190,029</u>

5. Groveport Assembly and Shipping Services

SP, through its Affiliate Distribution Fulfillment Services Inc. (DFS) (“DFS”), shall provide to SR the assembly and shipping services specified on Schedule V. Through the facility located at 6600 Alum Creek Drive, Groveport, OH (the “Groveport Facility”), DFS will provide to SR these services for the assembly and shipment of merchandise, through September 30, 2004, in a manner consistent with current practices, using the same suite of logistics systems with which these services are currently being provided. Spiegel merchandise will continue to be commingled with Eddie Bauer merchandise in the same manner that it is commingled today. At SR’s written request to Richard Lauer of DFS so as to be received on or before September 30, 2004, the Groveport fulfillment operation, along with the remaining merchandise therein, will be transitioned to a permanent fulfillment facility (such as the one in Newport News, Virginia) or will be removed for liquidation. If no such written notification is received by Richard Lauer of DFS on or before September 30, 2004, beginning October 1, 2004, DFS shall charge SR market rental rates for the space occupied by the merchandise.

Unit volume forecasts must be supplied by SR to DFS showing the weekly unit detail for the season, in a manner consistent with current practice. The forecasts must be sufficiently accurate for DFS to anticipate staffing adjustments in order to allow DFS to best control cost and service. If, in DFS’s sole discretion, the forecasts are not sufficiently accurate, DFS will advise SR as to the impact on service or cost; provided that DFS will make good faith efforts to minimize any impact on service or cost.

Schedule V: Groveport Assembly and Shipping Services

Pricing by Unit/Carton for Fulfillment Services: 2004

Function	Cost*	
	Per Unit	Per Carton
<u>Assembly Direct: Groveport</u>		
Receiving		
Flat Carton		1.65
Hanging	0.64	
QA Sample	4.32	
Backstock		
Flat Carton		0.30
Hanging	0.05	
Order Filling		
Flat	0.38	
Hanging	0.75	
Flat Replenishment – 3 rd Shift	0.08	
Shipping		
	0.07	
Fixed Cost Per Shipped Unit		
For Carton Storage and Pick Bins	0.53	
Returns		
Opening Catalog	0.80	
Flat Processing	1.03	
Hanging Processing	3.67	
Secured Returns		
	3.53	
Secured Receiving		
	3.81	
Secured Shipping		
	2.28	
Takeout Carton (includes shipping)		0.84
 <u>Special Services: Assembly Groveport</u>		
Assembly Easy Preparation	.97	
Assembly Hard Preparation	0.43	
Assembly Sort	1.47	
Monogramming	9.27	
Giftwrap – paper	3.30	
Giftwrap – boxes	2.57	
Gift Certificates	0.34	
Product Quality per Received Unit	0.01	

*Cost includes all hourly and salaried compensation with benefits and all overhead costs. Liquidation shipments are the same cost as takeouts (per carton). Cost excludes data processing charges, rewarehousing costs for Separate Ship at Fisher Road and transportation costs.

6. Fisher Road Shipping Services

SP, through its Affiliate Distribution Fulfillment Services Inc. (DFS) (“DFS”), shall provide to SR the shipping services specified on Schedule VI. Separate Ship merchandise will be fulfilled from the facility located at 4545 Fisher Road, Columbus, OH (the “Fisher Road Facility”) in the same manner and using the same suite of systems that are in use as of the date hereof. The Spiegel merchandise will remain commingled with the merchandise of Eddie Bauer, in the same manner that it is commingled today, through December 31, 2004. At SR’s written request to Richard Lauer of DFS so as to be received on or before December 31, 2004, the remaining Spiegel merchandise, if any, will be transitioned to a permanent fulfillment facility (such as the one in Newport News, Virginia) or will be removed for liquidation. If no such written notification is received by Richard Lauer of DFS on or before December 31, 2004, beginning January 1, 2005, the service arrangement between DFS and SR shall cease and the merchandise shall be maintained at the Fisher Road Facility under a true lease arrangement with rental rates based on actual lease expenses incurred by DFS; provided, however, that the lease arrangement between DFS and SR shall terminate no later than September 30, 2005; provided, further, that SR may elect to terminate such lease arrangement upon no less than 60 days’ written notice to Richard Lauer of DFS.

Unit volume forecasts must be supplied by SR to DFS showing the weekly unit detail for the season, in a manner consistent with current practice. The forecasts must be sufficiently accurate for DFS to anticipate staffing adjustments in order to allow DFS to best control cost and service. If, in DFS’s sole discretion, the forecasts are not sufficiently accurate, DFS will advise SR as to the impact on service or cost; provided that DFS will make good faith efforts to minimize any impact on service or cost.

Schedule VI: Fisher Road Shipping Services

Pricing per Unit, For Fulfillment Services: 2004

Function	<u>Cost*</u> <u>Per Unit</u>
<u>Separate Ship Direct: Fisher Road</u>	
Receiving	1.14
Sample	11.30
Putaway	0.28
Fulfillment	3.36
Shipping	0.72
Returns	
Opening	3.04
Disposition	3.56
Shipping	2.10
Takeout Units (includes shipping)	1.06
 <u>Special Services: Separate Ship Fisher Road</u>	
Separate Ship Easy Preparation	2.17
Separate Ship Hard Preparation	3.72
Separate Ship Sort	10.22
Separate Ship Return Preparation	1.84
Product Quality per Received Unit	0.15

*Cost includes all hourly and salaried compensation with benefits and all overhead costs. Liquidation shipments are the same cost as takeouts (per carton). Cost excludes data processing charges, rerehousing costs for Separate Ship at Fisher Road and transportation costs.

7. Benefit Services to Transferred Employees

SP will provide the services relating to the Employee Plans specified on Schedule VII to the Transferred Employees for a period of up to three months commencing on the date hereof and SR shall pay to SP a fee equal to the sum of (i) the cost of each service provided, plus (ii) the administrative fee associated therewith, both as listed on Schedule VII (collectively, the “Service Fee”). All services provided to the Transferred Employees shall cease following thirty (30) days’ written notification by SP to SR in the event that (i) SP no longer provides one or more of the services specified on Schedule VII to its employees or (ii) is required by the applicable vendor to cease providing the services under the Employee Plans to the Transferred Employees. The payment schedules described on Schedule VII shall remain in effect until all claims and Service Fees that were incurred during the three-month period have been processed by the vendors and paid. Under the current Employee Plans, claims may be submitted for payment up to 18 months after the date of service.

Schedule VII: Transferred Employee Benefits Services and Fees

The U.S. Transferred Employees may participate in the following plans, programs and arrangements in accordance with Exhibit A, Number 7; provided that (1) SP shall not be required to amend any plan, program or arrangement in order to provide any of the following services to SR and (2) the vendor of each service consents to providing such service to the U.S. Transferred Employees:

<u>Employee Service</u>	<u>Cost</u>	<u>Administrative Fee</u>	<u>Payment Schedule</u>
1. CIGNA Open Access Plus and Exclusive Provider Org. Medical Plans; COBRA administrator	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	Payment for this Line Item will be due within two Business Days of receipt of an invoice for such services, which receipt shall be sent via facsimile to SR in accordance with Section 7 of this Agreement.
2. Walgreens Health Initiatives – Prescription Drug Benefit	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
3. Vision Service Plan	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
4. Delta Dental Plan of Illinois	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
5. Health Care and Dependent Care Flexible Spending Accounts – Administered by Ceridian	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
6. Group Long Term Disability	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	

	<u>Employee Service</u>	<u>Cost</u>	<u>Administrative Fee</u>	<u>Payment Schedule</u>
7.	Group Term Life Insurance	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
8.	Business Travel Accident Insurance	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
9.	Hyatt Legal Plan	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	
10.	Employee Assistance Program	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	

The Non-U.S. Transferred Employees may participate in the following plans, programs and arrangements in accordance with Exhibit A, Number 7; provided that (1) SP shall not be required to amend any plan, program or arrangement in order to provide any of the following services to SR and (2) the vendor of each service consents to providing such service to the Non-U.S. Transferred Employees:

<u>Employee Service</u>	<u>Cost</u>	<u>Administrative Fee</u>	<u>Payment Schedule</u>
[]	The cost of each service provided	The additional fee such that provision of the Employee Services shall not result in any costs and expenses (including overhead costs) to SP as a result of providing the employee services	[]

EXHIBIT 5.16(a)

Form of Certificate of Incorporation of Newco

CERTIFICATE OF INCORPORATION
OF
[NAME OF CORPORATION]

ARTICLE I

Name

The name of the corporation is [Name of Corporation] (the “Corporation”).

ARTICLE II

Registered Office and Registered Agent

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

ARTICLE III

Corporate Purpose

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “General Corporation Law”).

ARTICLE IV

Capital Stock

The total number of shares of all classes of stock that the Corporation shall have authority to issue is [1,000], all of which shall be shares of Common Stock, with no par value.

ARTICLE V

Directors

(1) Elections of directors of the Corporation need not be by written ballot, except and to the extent provided in the By-laws of the Corporation.

(2) To the fullest extent permitted by the General Corporation Law as it now exists and as it may hereafter be amended, no director of the Corporation shall be personally

liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

ARTICLE VI

Indemnification of Directors, Officers and Others

(1) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(2) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(3) To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections (1) and (2) of this Article VI, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(4) Any indemnification under Sections (1) and (2) of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in such Sections (1) and (2). Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (a) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders of the Corporation.

(5) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation authorized in this Article VI. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

(6) The indemnification and advancement of expenses provided by, or granted pursuant to, the other sections of this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(7) The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the General Corporation Law.

(8) For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(9) For purposes of this Article VI, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VI.

(10) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VII

By-Laws

The directors of the Corporation shall have the power to adopt, amend or repeal by-laws.

ARTICLE VIII

Amendment

The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights conferred on stockholders, directors and officers in this Certificate of Incorporation are subject to this reserved power.

ARTICLE IX

Incorporator

The name and mailing address of the sole incorporator is as follows:

Name

Mailing Address

[Name of Sole Incorporator]

[_____]

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this Certificate of Incorporation, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this _____ day of June, 2004.

[Name of Sole Incorporator]

EXHIBIT 5.16(b)

Form of Bylaws of Newco

BY-LAWS
OF
[NAME OF CORPORATION]

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BY-LAWS
OF
[NAME OF CORPORATION]

ARTICLE I

OFFICES

SECTION 1.01. Registered Office. The registered office of [Name of Corporation] (the “Corporation”) in the State of Delaware shall be at the principal office of The Corporation Trust Company in the City of Wilmington, County of New Castle, Delaware 19801 and the registered agent in charge thereof shall be The Corporation Trust Company.

SECTION 1.02. Other Offices. The Corporation may also have an office or offices at any other place or places within or without the State of Delaware as the Board of Directors of the Corporation (the “Board”) may from time to time determine or the business of the Corporation may from time to time require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2.01. Annual Meetings. The annual meeting of stockholders of the Corporation for the election of directors of the Corporation, and for the transaction of such other business as may properly come before such meeting, shall be held at such place, date and time as shall be fixed by the Board and designated in the notice or waiver of notice of such annual meeting; provided, however, that no annual meeting of stockholders need be held if all actions, including the election of directors, required by the General Corporation Law of the State of Delaware (the “General Corporation Law”) to be taken at such annual meeting are taken by written consent in lieu of meeting pursuant to Section 2.09 hereof.

SECTION 2.02. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called by the Board or the Chairman of the Board, the President or the Secretary of the Corporation or by the recordholders of at least a majority of the shares of common stock of the Corporation issued and outstanding and entitled to vote thereat, to be held at such place, date and time as shall be designated in the notice or waiver of notice thereof.

SECTION 2.03. Notice of Meetings. (a) Except as otherwise provided by law, written notice of each annual or special meeting of stockholders stating the place, date and time of such meeting and, in the case of a special meeting, the purpose or purposes for which such meeting is to be held, shall be given personally or by first-class mail (airmail in the case of international communications) to each recordholder of shares entitled to vote thereat, not less than 10 nor more than 60 days before the date of such meeting. If mailed, such notice shall be

deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If, prior to the time of mailing, the Secretary of the Corporation (the "Secretary") shall have received from any stockholder a written request that notices intended for such stockholder are to be mailed to some address other than the address that appears on the records of the Corporation, notices intended for such stockholder shall be mailed to the address designated in such request.

(b) Notice of a special meeting of stockholders may be given by the person or persons calling the meeting, or, upon the written request of such person or persons, such notice shall be given by the Secretary on behalf of such person or persons. If the person or persons calling a special meeting of stockholders give notice thereof, such person or persons shall deliver a copy of such notice to the Secretary. Each request to the Secretary for the giving of notice of a special meeting of stockholders shall state the purpose or purposes of such meeting.

SECTION 2.04. Waiver of Notice. Notice of any annual or special meeting of stockholders need not be given to any stockholder who files a written waiver of notice with the Secretary, signed by the person entitled to notice, whether before or after such meeting. Neither the business to be transacted at, nor the purpose of, any meeting of stockholders need be specified in any written waiver of notice thereof. Attendance of a stockholder at a meeting, in person or by proxy, shall constitute a waiver of notice of such meeting, except when such stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the notice of such meeting was inadequate or improperly given.

SECTION 2.05. Adjournments. Whenever a meeting of stockholders, annual or special, is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the date, time and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote thereat. At the adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

SECTION 2.06. Quorum. Except as otherwise provided by law or the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the recordholders of a majority of the shares entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at all meetings of stockholders, whether annual or special. If, however, such quorum shall not be present in person or by proxy at any meeting of stockholders, the stockholders entitled to vote thereat may adjourn the meeting from time to time in accordance with Section 2.05 hereof until a quorum shall be present in person or by proxy.

SECTION 2.07. Voting. Each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Except as otherwise provided by law or the Certificate of Incorporation, when a quorum is present at any meeting of stockholders, the vote of the recordholders of a majority of the shares constituting such quorum shall decide any question brought before such meeting.

SECTION 2.08. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express, in writing, consent to or dissent from any action of stockholders without a meeting may authorize another person or persons to act for such stockholder by proxy. Such proxy shall be filed with the Secretary before such meeting of stockholders or such action of stockholders without a meeting, at such time as the Board may require. No proxy shall be voted or acted upon more than three years from its date, unless the proxy provides for a longer period.

SECTION 2.09. Stockholders' Consent in Lieu of Meeting. Any action required by the General Corporation Law to be taken at any annual or special meeting of stockholders, and any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the recordholders of shares having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which the recordholders of all shares entitled to vote thereon were present and voted.

ARTICLE III

BOARD

SECTION 3.01. General Powers. The business and affairs of the Corporation shall be managed by the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these By-laws directed or required to be exercised or done by stockholders.

SECTION 3.02. Number and Term of Office. The number of directors shall be two or such other number as shall be fixed from time to time by the Board. Directors need not be stockholders. Directors shall be elected at the annual meeting of stockholders or, if, in accordance with Section 2.01 hereof, no such annual meeting is held, by written consent in lieu of meeting pursuant to Section 2.09 hereof, and each director shall hold office until his successor is elected and qualified, or until his earlier death or resignation or removal in the manner hereinafter provided.

SECTION 3.03. Resignation. Any director may resign at any time by delivering his written resignation to the Board, the Chairman of the Board of the Corporation (the "Chairman") or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.04. Removal. Any or all of the directors may be removed, with or without cause, at any time by vote of the recordholders of a majority of the shares then entitled to vote at an election of directors, or by written consent of the recordholders of shares pursuant to Section 2.09 hereof.

SECTION 3.05. Vacancies. Vacancies occurring on the Board as a result of the removal of directors without cause may be filled only by vote of the recordholders of a majority

of the shares then entitled to vote at an election of directors, or by written consent of such recordholders pursuant to Section 2.09 hereof. Vacancies occurring on the Board for any other reason, including, without limitation, vacancies occurring as a result of the creation of new directorships that increase the number of directors, may be filled by such vote or written consent or by vote of the Board or by written consent of the directors pursuant to Section 3.08 hereof. If the number of directors then in office is less than a quorum, such other vacancies may be filled by vote of a majority of the directors then in office or by written consent of all such directors pursuant to Section 3.08 hereof. Unless earlier removed pursuant to Section 3.04 hereof, each director chosen in accordance with this Section 3.05 shall hold office until the next annual election of directors by the stockholders and until his successor shall be elected and qualified.

SECTION 3.06. Meetings. (a) Annual Meetings. As soon as practicable after each annual election of directors by the stockholders, the Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 3.08 hereof.

(b) Other Meetings. Other meetings of the Board shall be held at such times as the Chairman, the President of the Corporation (the "President"), the Secretary or a majority of the Board shall from time to time determine.

(c) Notice of Meetings. The Secretary shall give written notice to each director of each meeting of the Board, which notice shall state the place, date, time and purpose of such meeting. Notice of each such meeting shall be given to each director, if by mail, addressed to him at his residence or usual place of business, at least three days before the day on which such meeting is to be held, or shall be sent to him at such place by telecopy, telegraph, cable, or other form of recorded communication, or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. A written waiver of notice, signed by the director entitled to notice, whether before or after the time of the meeting referred to in such waiver, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of any meeting of the Board need be specified in any written waiver of notice thereof. Attendance of a director at a meeting of the Board shall constitute a waiver of notice of such meeting, except as provided by law.

(d) Place of Meetings. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board or the Chairman may from time to time determine, or as shall be designated in the respective notices or waivers of notice of such meetings.

(e) Quorum and Manner of Acting. One-third of the total number of directors then in office shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, the Certificate of Incorporation or these By-laws. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present.

(f) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside, in the following order of precedence:

- 1) the Chairman;
- 2) the President;
- 3) any director chosen by a majority of the directors present.

The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary is present) whom the chairman of the meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 3.07. Committees of the Board. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Any committee of the Board, to the extent provided in the resolution of the Board designating such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no such committee shall have such power or authority in reference to amending the Certificate of Incorporation (except that such a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board as provided in Section 151(a) of the General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation under Section 251 or 252 of the General Corporation Law, recommending to the stockholders the sale, lease or exchange of all or substantially all the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or the revocation of a dissolution, or amending these By-laws; provided further, however, that, unless expressly so provided in the resolution of the Board designating such committee, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law. Each committee of the Board shall keep regular minutes of its proceedings and report the same to the Board when so requested by the Board.

SECTION 3.08. Directors' Consent in Lieu of Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if a consent in writing or by electronic transmission, setting forth the action so taken, shall be signed by all the members of

the Board or such committee and such consent or electronic transmission is filed with the minutes of the proceedings of the Board or such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

SECTION 3.09. Action by Means of Telephone or Similar Communications Equipment. Any one or more members of the Board, or of any committee thereof, may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 3.10. Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board may determine the compensation of directors. In addition, as determined by the Board, directors may be reimbursed by the Corporation for their expenses, if any, in the performance of their duties as directors. No such compensation or reimbursement shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

OFFICERS

SECTION 4.01. Officers. The officers of the Corporation shall be the Chairman, the President, the Secretary and a Treasurer and may include one or more Vice Presidents and one or more Assistant Secretaries and one or more Assistant Treasurers. Any two or more offices may be held by the same person.

SECTION 4.02. Authority and Duties. All officers shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-laws or, to the extent not so provided, by resolution of the Board.

SECTION 4.03. Term of Office, Resignation and Removal. (a) Each officer shall be appointed by the Board and shall hold office for such term as may be determined by the Board. Each officer shall hold office until his successor has been appointed and qualified or his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any officer to give security for the faithful performance of his duties.

(b) Any officer may resign at any time by giving written notice to the Board, the Chairman, the President or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman, the President or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

(c) All officers and agents appointed by the Board shall be subject to removal, with or without cause, at any time by the Board or by the action of the recordholders of a majority of the shares entitled to vote thereon.

SECTION 4.04. Vacancies. Any vacancy occurring in any office of the Corporation, for any reason, shall be filled by action of the Board. Unless earlier removed pursuant to Section 4.03 hereof, any officer appointed by the Board to fill any such vacancy shall serve only until such time as the unexpired term of his predecessor expires unless reappointed by the Board.

SECTION 4.05. The Chairman. The Chairman shall have the power to call special meetings of stockholders, to call special meetings of the Board and, if present, to preside at all meetings of stockholders and all meetings of the Board. The Chairman shall perform all duties incident to the office of Chairman of the Board and all such other duties as may from time to time be assigned to him by the Board or these By-laws.

SECTION 4.06. The President. The President shall be the chief executive officer of the Corporation and shall have general and active management and control of the business and affairs of the Corporation, subject to the control of the Board, and shall see that all orders and resolutions of the Board are carried into effect. The President shall perform all duties incident to the office of President and all such other duties as may from time to time be assigned to him by the Board or these By-laws.

SECTION 4.07. Vice Presidents. Vice Presidents, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the President and perform such other duties as the Board or the President shall prescribe, and in the absence or disability of the President, shall perform the duties and exercise the powers of the President.

SECTION 4.08. The Secretary. The Secretary shall, to the extent practicable, attend all meetings of the Board and all meetings of stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform the same duties for any committee of the Board when so requested by such committee. He shall give or cause to be given notice of all meetings of stockholders and of the Board, shall perform such other duties as may be prescribed by the Board, the Chairman or the President and shall act under the supervision of the Chairman. He shall keep in safe custody the seal of the Corporation and affix the same to any instrument that requires that the seal be affixed to it and which shall have been duly authorized for signature in the name of the Corporation and, when so affixed, the seal shall be attested by his signature or by the signature of the Treasurer of the Corporation (the "Treasurer") or an Assistant Secretary or Assistant Treasurer of the Corporation. He shall keep in safe custody the certificate books and stockholder records and such other books and records of the Corporation as the Board, the Chairman or the President may direct and shall perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board, the Chairman or the President.

SECTION 4.09. Assistant Secretaries. Assistant Secretaries of the Corporation ("Assistant Secretaries"), if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Secretary and perform such other duties as the Board or the Secretary shall prescribe, and, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

SECTION 4.10. The Treasurer. The Treasurer shall have the care and custody of all the funds of the Corporation and shall deposit such funds in such banks or other depositories as the Board, or any officer or officers, or any officer and agent jointly, duly authorized by the Board, shall, from time to time, direct or approve. He shall disburse the funds of the Corporation under the direction of the Board and the President. He shall keep a full and accurate account of all moneys received and paid on account of the Corporation and shall render a statement of his accounts whenever the Board, the Chairman or the President shall so request. He shall perform all other necessary actions and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of treasurer of a corporation. When required by the Board, he shall give bonds for the faithful discharge of his duties in such sums and with such sureties as the Board shall approve.

SECTION 4.11. Assistant Treasurers. Assistant Treasurers of the Corporation (“Assistant Treasurers”), if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Treasurer and perform such other duties as the Board or the Treasurer shall prescribe, and, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer.

ARTICLE V

CHECKS, DRAFTS, NOTES, AND PROXIES

SECTION 5.01. Checks, Drafts and Notes. All checks, drafts and other orders for the payment of money, notes and other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall be determined, from time to time, by resolution of the Board.

SECTION 5.02. Execution of Proxies. The Chairman, the President or any Vice President may authorize, from time to time, the execution and issuance of proxies to vote shares of stock or other securities of other corporations held of record by the Corporation and the execution of consents to action taken or to be taken by any such corporation. All such proxies and consents, unless otherwise authorized by the Board, shall be signed in the name of the Corporation by the Chairman, the President or any Vice President.

ARTICLE VI

SHARES AND TRANSFERS OF SHARES

SECTION 6.01. Certificates Evidencing Shares. Shares shall be evidenced by certificates in such form or forms as shall be approved by the Board. Certificates shall be issued in consecutive order and shall be numbered in the order of their issue, and shall be signed by the Chairman, the President or any Vice President and by the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer. If such a certificate is manually signed by one such officer, any other signature on the certificate may be a facsimile. In the event any such officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold

such office or to be employed by the Corporation before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such officer had held such office on the date of issue.

SECTION 6.02. Stock Ledger. A stock ledger in one or more counterparts shall be kept by the Secretary, in which shall be recorded the name and address of each person, firm or corporation owning the shares evidenced by each certificate evidencing shares issued by the Corporation, the number of shares evidenced by each such certificate, the date of issuance thereof and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares stand on the stock ledger of the Corporation shall be deemed the owner and recordholder thereof for all purposes.

SECTION 6.03. Transfers of Shares. Registration of transfers of shares shall be made only in the stock ledger of the Corporation upon request of the registered holder of such shares, or of his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and upon the surrender of the certificate or certificates evidencing such shares properly endorsed or accompanied by a stock power duly executed, together with such proof of the authenticity of signatures as the Corporation may reasonably require.

SECTION 6.04. Addresses of Stockholders. Each stockholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to such stockholder, and, if any stockholder shall fail to so designate such an address, corporate notices may be served upon such stockholder by mail directed to the mailing address, if any, as the same appears in the stock ledger of the Corporation or at the last known mailing address of such stockholder.

SECTION 6.05. Lost, Destroyed and Mutilated Certificates. Each recordholder of shares shall promptly notify the Corporation of any loss, destruction or mutilation of any certificate or certificates evidencing any share or shares of which he is the recordholder. The Board may, in its discretion, cause the Corporation to issue a new certificate in place of any certificate theretofore issued by it and alleged to have been mutilated, lost, stolen or destroyed, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction, and the Board may, in its discretion, require the recordholder of the shares evidenced by the lost, stolen or destroyed certificate or his legal representative to give the Corporation a bond sufficient to indemnify the Corporation against any claim made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 6.06. Regulations. The Board may make such other rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates evidencing shares.

SECTION 6.07. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to, or to dissent from, corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any

change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other such action. A determination of the stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE VII

SEAL

SECTION 7.01. Seal. The Board may approve and adopt a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation, the year of its incorporation and the words “Corporate Seal Delaware”.

ARTICLE VIII

FISCAL YEAR

SECTION 8.01. Fiscal Year. The fiscal year of the Corporation shall end on the thirty-first day of December of each year unless changed by resolution of the Board.

ARTICLE IX

INDEMNIFICATION AND INSURANCE

SECTION 9.01. Indemnification. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person’s conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the

right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 9.01(a) and (b) of these By-laws, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under Section 9.01(a) and (b) of these By-laws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Section 9.01(a) and (b) of these By-laws. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders of the Corporation.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation pursuant to this Article IX. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(g) For purposes of this Article IX, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(h) For purposes of this Article IX, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article IX.

(i) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 9.02. Insurance for Indemnification. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person’s status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of Section 145 of the General Corporation Law.

ARTICLE X

AMENDMENTS

SECTION 10.01. Amendments. Any By-law (including these By-laws) may be altered, amended or repealed by the vote of the recordholders of a majority of the shares then entitled to vote at an election of directors or by written consent of stockholders pursuant to Section 2.09 hereof, or by vote of the Board or by a written consent of directors pursuant to Section 3.08 hereof.

APPENDIX A

CONFIDENTIALITY AGREEMENT



CONFIDENTIALITY AGREEMENT

March 19, 2004

Dear Sirs/Madams:

In connection with a potential business relationship and/or transaction (the "**Relationship**") involving Spiegel Catalog, Inc. (the "**Company**"), you are receiving certain written and/or oral information, which is non-public, confidential and/or proprietary in nature. This information and any other non-public, confidential or proprietary information, including without limitation, information provided by an electronic medium, concerning the Company (or its affiliates) and the Relationship, furnished to you by Miller Buckfire Lewis Ying & Co. LLC (the "**Agent**"), or by the Company in connection with the Relationship, including but not limited to, any notes, analyses, compilations, studies, forecasts, interpretations or other documents which contain, reflect or are based upon such information, whether prepared by the Company or by you or any of your Representatives (as defined below), is hereinafter referred to as the "**Confidential Information**". In consideration of your receipt of the Confidential Information, you agree that:

1. Except as otherwise expressly provided herein, you will not disclose any Confidential Information to any person without the prior written consent of the Agent or the Company (other than to your employees, agents and advisors, including, without limitation, employees, attorneys, accountants, auditors and third party consultants or service providers who are actively working on the Relationship and agree to be bound by the terms of this Agreement (collectively, "**Representatives**")). You shall cause such Representatives to observe the terms of this Agreement and shall be responsible for any breach of this Agreement by your Representatives.
2. You will treat the Confidential Information as confidential and you shall use the Confidential Information solely and exclusively for the evaluation of the Relationship and for no other purpose.
3. You covenant that you have a policy and procedure to protect the Confidential Information provided by the Company from inappropriate use or disclosure and that you will use at least the same degree of care you use to protect your own Confidential Information of a similar type, but no less than a reasonable degree of care under the circumstances. You acknowledge the competitive value of the Confidential Information and the damage that could result to the Company if the Confidential Information were used or disclosed, or if the existence of the possible Relationship were disclosed to anyone, except as authorized by this Agreement.
4. This Agreement shall not prevent your disclosure of any Confidential Information (i) that is or has become generally available to the public (other than as a result of a disclosure in violation of this Agreement) or is or becomes available on a non-confidential basis from a source other than the Company or the Agent (unless, to your actual knowledge after reasonable inquiry by you, such



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Confidential Information was provided by such source in violation of a confidentiality agreement), (ii) in order to comply with any applicable law or regulation, or in accordance with any order, ruling or supervisory practice of any federal or state, domestic or foreign regulatory agency or self-regulatory organization (including, without limitation, the Board of Governors of the Federal Reserve System or any foreign bank regulatory agency) or supervisory authority having or claiming jurisdiction over you, after being advised by counsel that such disclosure is required, or (iii) after this Agreement expires.

5. In the event that you or anyone to whom you transmit the Confidential Information pursuant to this Agreement becomes legally compelled to disclose any of the Confidential Information, you shall provide the Company with notice of such event promptly upon your obtaining knowledge thereof and sufficiently prior to any disclosure (provided that you are not otherwise prohibited by law from giving such notice) so that the Company may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, you shall furnish only that portion of the Confidential Information that you are advised by counsel you are required to disclose and shall disclose the Confidential Information in a manner reasonably designed to preserve its confidential nature. In the event of such a disclosure, you shall use your commercially reasonable efforts to obtain reliable assurances that confidential treatment will be accorded to the disclosed Confidential Information.
6. You understand and acknowledge that the Company may have outstanding publicly traded securities. You hereby confirm to the Company that you are aware of your responsibilities under the provisions of the securities laws of the United States that may be applicable to persons who possess material non-public information within the meaning of such laws and agree not to use the Confidential Information except in compliance with the securities laws of the United States.
7. Copies of the Confidential Information shall be made by you only in connection with the Relationship. All copies which are made shall be identified by you as belonging to the Company and will be marked "Confidential," "Proprietary," or with a similar legend.
8. In the event that discussions with you concerning the Relationship are discontinued or your participation in the Relationship is otherwise terminated, you shall, upon our written request, either destroy (and certify such destruction) or redeliver to us all copies of the Confidential Information that were furnished to you by or on behalf of the Company and shall destroy, all copies or reproductions, in whatever medium including electronic copies, of the Confidential Information and all other Confidential Information prepared by you or your Representatives. Termination of this Agreement and return or destruction of the Confidential Information shall not affect any of your obligations with respect to disclosure or use of the Confidential Information nor shall termination affect the respective property rights of the parties hereto.
9. The Company will be entitled, at any time, and without notice to you, to negotiate, disclose, and to otherwise deal in any manner and for any purpose with third parties regarding its own Confidential Information.



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10. For a period of three years from the date of this Agreement, no party shall solicit for hire any of the executive officers, technical personnel or other key or management-level employees of any other party, except with the express written permission of such other party. This restriction does not apply to the hiring of individuals who were not involved in the investigation of the Relationship who independently apply for employment with a party.
11. No right or license whatsoever is granted to you pursuant to this Agreement with respect to the Confidential Information or otherwise.
12. This Agreement does not constitute the parties hereto as partners, joint venture partners or agents of each other, and no party shall so represent itself.
13. You understand and agree that, except as may otherwise be agreed in writing, the Company does not make any representation or warranty as to the accuracy or completeness of the Confidential Information. You understand and agree that neither the Company nor any of its representatives shall have any liability to you or your Representatives resulting from the use of the Confidential Information by you or your Representatives. You agree that no agreement shall exist between you and the Company with respect to the Relationship unless and until a definitive agreement has been executed and delivered by such parties. You also agree that unless and until a definitive agreement has been executed and delivered by such parties, the Company shall have no legal obligation and you shall have no legal right of any kind with respect to the Relationship or any other Relationship by virtue of this Agreement or any other written or oral expression, except, in the case of this Agreement, for the matters specifically agreed to herein. The term "definitive agreement" shall not include an executed letter of intent or any other preliminary written agreement, nor does it include any written or verbal acceptance of an offer or bid.
14. This Agreement expresses the entire understanding of the parties hereto with respect to its subject matter, and supercedes any prior agreements with respect thereto. This Agreement may not be amended, assigned or modified except in writing signed by duly authorized representatives of all parties. If any part of this Agreement is found to be invalid or unenforceable, that part shall be amended to achieve as nearly as possible the same effect as the original provision and the remainder of this Agreement shall remain in full force and effect.
15. You acknowledge that disclosure of the Confidential Information in violation of the terms of this Agreement could have serious consequences, and agree that, in the event of any breach of this Agreement by you or your Representatives, the Company, in addition to any other remedies available to it, will be entitled to equitable relief, including without limitation, injunction and specific performance, and that it shall not be necessary for the Company to post any bond or other security in connection with any such action or proceeding.
16. No failure or delay by any of the parties hereto in exercising any power, right or privilege under this Agreement shall operate as a waiver thereof, nor does any single or partial exercise of any power, right or privilege preclude any other or further exercise, or the exercise of any other power, right or privilege.

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- 17. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND SHALL INURE TO THE BENEFIT OF AND BE BINDING UPON THE COMPANY AND YOU, AND ITS AND YOUR RESPECTIVE AFFILIATES, SUCCESSORS AND ASSIGNS, INCLUDING ANY SUCCESSOR TO YOU OR SUBSTANTIALLY ALL OF YOUR ASSETS OR BUSINESS. YOU HEREBY CONSENT TO PERSONAL JURISDICTION IN ANY ACTION AND TO SERVICE OF PROCESS BY MAIL, AND WAIVE ANY OBJECTION TO VENUE IN ANY NEW YORK COURT. THIS AGREEMENT IS FURTHER SUBJECT TO THE JURISDICTION OF THE BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.
- 18. This Agreement shall expire one year from the date of this agreement. In the event that the Relationship results in a definitive agreement between you and the Company, the terms of this Agreement will be superseded by the terms of any agreement we may enter into at a future date.

Very truly yours,

MILLER BUCKFIRE LEWIS YING & CO., LLC, as
the Company's Agent

By: _____

Name: Stuart Erickson
Title: Principal

Accepted and Agreed to
as of 3/19, 2004:

By: _____

Christian Feiler
Name: CHRISTIAN FEILER
Title: PRINCIPAL

Address where information should be sent to:

627 N. Lincoln Street
Hinsdale, IL 60521

APPENDIX B
SCHEDULING ORDER

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	-----X	
	:	
	:	Chapter 11
In re:	:	
	:	Case No. 03 - 11540 (CB)
SPIEGEL, INC., <u>et al.</u>,	:	
	:	(Jointly Administered)
Debtors.	:	
	:	
	:	
	:	
	-----X	

EMERGENCY SCHEDULING ORDER, PURSUANT TO, INTER ALIA, 11 U.S.C. §§ 363, 365, 503(b) AND 105(a) AND BANKRUPTCY RULES 2002, 6004, 6006, 7004, 9006, 9007 AND 9008: (I) FIXING DATE AND TIME OF AUCTION FOR SALE OF THE ASSETS OF SPIEGEL, INC., SPIEGEL CATALOG, INC., SPIEGEL PUBLISHING CO., SPIEGEL CATALOG SERVICES, LLC AND SPIEGEL GROUP TELESERVICES-CANADA, INC. RELATED TO THE SPIEGEL CATALOG BUSINESS, FREE AND CLEAR OF ALL LIENS; (II) ESTABLISHING BIDDING PROCEDURES; (III) APPROVING EXPENSE REIMBURSEMENT; (IV) APPROVING CURE AMOUNT PROCEDURES RELATING TO ASSUMED CONTRACTS; AND (V) APPROVING FORM AND MANNER OF NOTICES OF AUCTION AND CURE AMOUNT PROCEDURES

Upon the emergency motion dated May 24, 2004 (Docket No. 1704) (the “Motion”)¹ of Spiegel, Inc. (“Spiegel”) and certain of its direct and indirect subsidiaries, each a debtor and debtor in possession herein (collectively, the “Debtors”), including Spiegel Catalog, Inc. (“Catalog”), Spiegel Publishing Co. (“Publishing”), Spiegel Catalog Services, LLC (“LLC”) and Spiegel Group Teleservices-Canada, Inc. (“SGTS-Canada”) (Catalog, Publishing, LLC and SGTS-Canada, collectively, the “Sellers”), seeking the entry of an order pursuant to sections 363, 365, 503(b) and 105(a) of title 11 of the United States Code (the “Bankruptcy Code”) and

¹ Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Motion or the Purchase Agreement (as defined herein), as the case may be.

Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”): (I) fixing the date and time of the auction (the “Auction”) for the sale of the assets of the Sellers related to the Business of Spiegel Catalog and of the “Spiegel” name (the “Purchased Assets”), free and clear of all Liens (except as set forth in the Purchase Agreement) (the “Proposed Sale”), to Spiegel Catalog International Limited (the “Purchaser”) or other successful bidder at the Auction; (II) establishing the bidding procedures to govern the Auction, annexed hereto as Exhibit A (the “Bidding Procedures”); (III) approving those provisions of the Purchase Agreement providing for payment of an expense reimbursement to the Purchaser in the event the Purchaser is not the successful bidder at the Auction; (IV) approving the form and manner of notice (the “Cure Amount Procedures”) to be used to determine the amounts necessary to cure defaults, if any (the “Cure Amounts”) under the executory contracts and unexpired leases that are to be assumed by the applicable Seller (the “Designated Contracts”) and assigned to the Purchaser, or to other successful bidder at the Auction, pursuant to the Asset Purchase Agreement, dated as of May 23, 2004, among Spiegel, the Sellers and the Purchaser (the “Purchase Agreement”); and (V) approving the form and manner of notices of the Proposed Sale, the Auction, the Cure Amount Procedures and the sale approval hearing (the “Sale Hearing”); and this Court having reviewed and considered the Motion; and after due deliberation and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:

A. On March 17, 2003 (the “Petition Date”), each of the Debtors filed a voluntary petition in this Court (the “Bankruptcy Court”) for relief under chapter 11 of the Bankruptcy Code. The Debtors’ chapter 11 cases have been procedurally consolidated for administrative purposes. The Debtors have continued in possession of their respective properties

and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

C. Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate.

D. Notice of the Emergency Motion is, under the circumstances, adequate and sufficient and no other or further notice is required.

E. The Debtors' proposed notice of the Proposed Sale, the Bidding Procedures, the Auction and the Sale Hearing, substantially in the form annexed hereto as Exhibit B (the "Notice of Auction and Sale Hearing"), as set forth in the Motion, is good, appropriate, adequate and sufficient, and is reasonably calculated to provide all interested parties with timely and proper notice of the Proposed Sale, the Auction, the Bidding Procedures and the Sale Hearing.

F. The Debtors' proposed notice of the assumption and assignment of the Designated Contracts, the Cure Amounts and the Cure Amount Procedures, substantially in the form annexed hereto as Exhibit C (the "Cure Amount Notice"), as set forth in the Motion, is good, appropriate, adequate and sufficient, and is reasonably calculated to provide all interested parties with timely and proper notice of the assumption and assignment of the Designated Contracts, the Cure Amounts and the Cure Amount Procedures. The Cure Amount Procedures are reasonable and appropriate and represent the best method for determining the Cure Amounts, if any.

G. The Bidding Procedures are fair, reasonable and appropriate and are designed to maximize the Debtors' recovery on the Purchased Assets.

H. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Expense Reimbursement to the Purchaser as set forth more fully in the Bidding Procedures and Section 6.04 of the Purchase Agreement.

I. The amount of the Expense Reimbursement is fair and reasonable, provides a benefit to the Debtors' estates and creditors, and results from good faith and arm's length negotiations between the parties.

J. The Debtors' payments of the Expense Reimbursement to the Purchaser is: (i) an actual and necessary cost and expense of preserving the Debtors' estates pursuant to Bankruptcy Code section 503(b); (ii) of substantial benefit to the Debtors' estates; (iii) reasonable and appropriate in light of the size, nature and complexity of the Proposed Sale and the efforts (and the due diligence costs and expenses) that have been and will be expended by the Purchaser even though the Proposed Sale is subject to overbid; (iv) not a penalty, but a reasonable estimate of the damages to be suffered by the Purchaser in the event the transactions contemplated by the Purchase Agreement are not consummated under the circumstances set forth therein and in the Bidding Procedures; and (v) necessary to ensure that the Purchaser will continue to pursue its proposed acquisition of the Purchased Assets.

K. The Expense Reimbursement is a material inducement for and condition of the Purchaser's entering into the Purchase Agreement. The Purchaser is unwilling to commit to hold open its offer to purchase the Purchased Assets under the terms of the Purchase Agreement unless it is assured of payment of the Expense Reimbursement, as more fully set forth in the Bidding Procedures and the Purchase Agreement. Assurance to the Purchaser of the

Expense Reimbursement has promoted and will promote more competitive bidding by inducing the Purchaser's bid, which otherwise would not have been placed, and without which bidding would have been and would continue to be limited. Furthermore, because the Expense Reimbursement induced the Purchaser to conduct extensive due diligence with respect to the Purchased Assets and submit a bid for the Purchased Assets that will serve as a floor bid on which other bidders and the Debtors can rely, the Purchaser has provided a benefit to the Debtors' bankruptcy estates by increasing the likelihood that the purchase price for the Purchased Assets will reflect the Purchased Assets' true worth and that value for the estates will be maximized through the Proposed Sale.

L. Absent authorization of the Expense Reimbursement, the Debtors may lose the opportunity to obtain the highest and best available offer for the Purchased Assets and the protection afforded by the Purchase Agreement. In light of the benefit to the Debtors' estates realized by having a fully negotiated Purchase Agreement, the terms of which will enable the Debtors to preserve the value of their business, ample support exists for the approval of the Expense Reimbursement as contemplated in the Bidding Procedures and the Purchase Agreement.

M. Entry of this Order is in the best interests of the Debtors, their estates, their creditors and other parties in interest, as the Debtors will, among other things, retain for the benefit of their estates the prospect of a successful sale to the Purchaser, while enabling the Debtors to solicit competing bids.

**NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND
DECREED THAT:**

1. The relief requested in the Motion is hereby granted in all respects.

Notice of Auction and Proposed Sale

2. The notice of, among other things, (i) the Proposed Sale, (ii) the Auction and (iii) the Sale Hearing, substantially in the form of the Notice of Auction and Sale Hearing, is approved in all respects.

3. As soon as practicable but in no event later than five business days after the entry of this Order, the Debtors shall cause the Notice of Auction and Sale Hearing to be published in the national editions of The Wall Street Journal and The New York Times, and in The Chicago Tribune, pursuant to Bankruptcy Rule 2002(l). Such notice, together with the other notice described herein is good, adequate, sufficient and proper notice to such interested parties. The Debtors are hereby authorized to make such payments as are necessary to effect such publication.

4. Notice of the Proposed Sale, the Auction and the Sale Hearing and other related matters is hereby deemed to be good, sufficient and proper notice thereof, including to those whose identities are unknown to the Debtors, and any requirements for other notice are waived and dispensed with pursuant to Bankruptcy Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 and sections 105 and 363 of the Bankruptcy Code if (in addition to the publication and service of the Notice of Auction and Sale Hearing provided for in the preceding paragraph), within one business day after entry of this Order, the Debtors shall have caused a copy of the Notice of Auction and Sale Hearing and this Order (in the form approved by this Court) to be served by overnight, e-mail or facsimile delivery upon the following parties: (i) the Office of the United States trustee; (ii) counsel to the official committee of unsecured creditors (the

“Creditors’ Committee”); (iii) counsel to the agent for the Debtors’ postpetition lenders; (iv) counsel for the Purchaser; (v) all parties who have delivered to the Debtors or their advisors written expressions of interest in acquiring, or offers to acquire, the Purchased Assets; (vi) the Internal Revenue Service; (vii) all appropriate federal, state and local taxing authorities; (viii) all known persons holding a Lien on part or all of the Purchased Assets; (ix) the parties set forth on the Master Service List approved by the “Order Pursuant to 11 U.S.C. §§ 102 and 105(a) and (d) and Bankruptcy Rules 2002(m), 9006 and 9007 Establishing Certain Notice, Case Management and Administrative Procedures and Scheduling Initial Case conference in Accordance with Local Bankruptcy Rule 1007-2(e)” entered by this Court on March 21, 2003 (Docket No. 72) (the “Master Service List”); and (x) all non-debtor parties to the Designated Contracts.

The Auction

5. The Debtors may sell the Purchased Assets by conducting an Auction in accordance with the auction procedures set forth in the Bidding Procedures.

6. The Auction, if required, shall commence at 10:00 a.m. (prevailing Eastern time) on June 15, 2004, before the Honorable Cornelius Blackshear, United States Bankruptcy Judge for the Southern District of New York, at the United States Bankruptcy Court, Courtroom 601, One Bowling Green, New York, New York 10004, or at such later time as determined by this Court.

Expense Reimbursement

7. The Expense Reimbursement, as set forth in the Bidding Procedures and the Purchase Agreement is hereby approved in all respects.

8. If (a) this Court approves a higher and better bid than that submitted by the Purchaser, (b) the Sellers withdraw the motion for this Court’s approval of the sale of the Purchased Assets and the Purchaser is not in material breach of the Purchase Agreement (and has

not otherwise terminated the Purchase Agreement pursuant to the provisions of Section 10.01(a) or (f) thereof), or (c) notwithstanding the fact that all of the Sellers' conditions to Closing have been satisfied or waived by the Sellers and the Purchaser is not in material breach of the Purchase Agreement, the Sellers refuse to consummate the sale of the Purchased Assets, then the Purchaser shall be entitled to reimbursement for its documented, out-of-pocket expenses reasonably incurred in connection with the transaction contemplated in the Purchase Agreement, not to exceed \$250,000.

9. The Sellers' obligation to pay the Expense Reimbursement, as provided for in the Purchase Agreement, shall survive termination of the Purchase Agreement and, until indefeasibly paid in full in cash, shall constitute an administrative expense of the Sellers' bankruptcy estates, pursuant to section 503(b) of the Bankruptcy Code, ranking pari passu with all other administrative expenses of the kind specified in sections 503(b) and 507(a)(1) of the Bankruptcy Code.

10. The Sellers are authorized and empowered to pay the Expense Reimbursement to the Purchaser, as required under and pursuant to the Bidding Procedures and the Purchase Agreement, without further order of this Court.

11. For purposes of determining whether a higher and better bid has been proffered with respect to the Purchased Assets, any Qualified Overbid received by Sellers at or prior to the Bid Deadline must be for consideration that, if accepted by the Sellers, would result in the Sellers receiving value greater than the sum of (a) \$2,300,000 (which amount represents the sum of (i) \$2,000,000, the Purchase Price, (ii) \$250,000, the maximum amount of the Expense Reimbursement, and (iv) \$50,000, the Overbid Increment), plus (b) the consideration to

the Sellers arising from the assumption of the Assumed Liabilities under the Purchase Agreement plus (c) all other consideration to the Sellers under the Purchase Agreement.

Bidding Procedures

12. The Bidding Procedures (incorporated herein by reference as if fully set forth in this Order) are hereby approved in their entirety. All proceedings relating to (i) the submission, consideration, qualification and acceptance of Qualified Overbids submitted to the Sellers, (ii) the Auction or (iii) the identification and determination of the Successful Bid and the Successful Bidder shall be governed by and conducted in accordance with the Bidding Procedures.

13. Any person wishing to submit a higher or better offer for the Purchased Assets must do so in accordance with the terms of the Bidding Procedures and Article VI of the Purchase Agreement. The failure in this Order to include specifically or reference any particular provision, section or article of the Bidding Procedures shall not diminish or impair the effectiveness of the Bidding Procedures, it being the intent of this Court that the Bidding Procedures be authorized and approved in their entirety and incorporated herein by reference.

14. During the Auction, bidding shall begin at the purchase price stated in the highest or otherwise best Qualified Overbid (taking into account the Expense Reimbursement), and will continue in increments of at least \$50,000 higher than the previous Qualified Overbid. All subsequent bids submitted by the Purchaser shall be “cash only” and shall not be deemed to include a credit in that amount equal to the maximum amount of the Expense Reimbursement. No entity (including, without limitation, the Purchaser) may object to any overbid not made by the Purchaser on the grounds that after deduction of the Expense Reimbursement, such overbid is not the highest bid.

The Sale Hearing

15. A hearing to approve the Sale of the Purchased Assets to the Purchaser or, alternatively, to the highest and best bidder (if other than the Purchaser) shall be conducted immediately following the Auction on June 15, 2004 at 10:00 a.m. (prevailing Eastern time), before the Honorable Cornelius Blackshear, United States Bankruptcy Judge for the Southern District of New York, at the United States Bankruptcy Court, Courtroom 601, One Bowling Green, New York, New York, 10004 or at such later time as determined by this Court.

Objections to Relief Sought at Sale Hearing

16. At the Sale Hearing, the Sellers shall seek the entry of an order authorizing and approving the sale of the Purchased Assets, (i) if no Qualified Overbid is received other than that of the Purchaser, to the Purchaser pursuant to the terms and conditions set forth in the Purchase Agreement, or (ii) if another Qualified Overbid is received by the Sellers, to the Purchaser or such other Qualified Overbidder who submitted the successful bid (the "Approval Order").

17. Any objections to the entry of the Approval Order must: (a) be in writing; (b) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules; (c) set forth the name of the objector, the nature and amount of claims or interests held or asserted by the objector against the Debtors' estates or property, the basis for the objection, and the specific grounds therefor; (d) be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to the chambers of Judge

Blackshear) and served in accordance with General Order M-182 (the requirements set forth in (a) through (d) being the “Objection Requirements”); and (e) be further served so that they are RECEIVED no later than **4:00 p.m.** (prevailing Eastern time) on **June 11, 2004** by: (i) counsel for the Debtors, Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022 (Attn: Andrew V. Tenzer, Esq. and Jill Frizzley, Esq.); (ii) counsel for the Purchaser, Gould & Ratner, 222 North LaSalle Street, Eighth Floor, Chicago, Illinois 60601 (Attn: Christopher J. Horvay, Esq.); (iii) the Office of the United States trustee, 33 Whitehall Street, Suite 2100, New York, New York 10044 (Attn: Deirdre A. Martini, Esq.); (iv) Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177 (Attn: Stuart Erickson); (v) counsel for the Creditors’ Committee, Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112 (Attn: Howard Seife, Esq. and David LeMay, Esq.); (vi) counsel for the Bank of America, N.A., Agent for the Debtors’ postpetition lenders, Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022 (Attn: Marc D. Rosenberg, Esq. and Benjamin Mintz, Esq.); and (vii) the parties on the Master Service List (collectively, the “Objection Notice Parties”).

18. The failure of any person or entity to file timely its objection shall be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the granting of relief sought by the Sellers therein.

19. The Sale Hearing may be adjourned, from time to time, without further notice to creditors or parties in interest other than by announcement of said adjournment in Court or on this Court’s calendar on the date scheduled for such hearing.

Assumption and Assignment of Designated Contracts; Cure Amount Procedures

20. The Debtors are hereby authorized and directed to serve the Cure Amount Notice in connection with the assumption and assignment of the Designated Contracts, via

overnight, e-mail or facsimile delivery, on the non-debtor counterparties to the Designated Contracts, within one business day after the entry of this Order, thereby providing notice of (i) the Debtors' intent to assume, and to assign to the Purchaser, the Designated Contracts, (ii) the Cure Amount with respect to each Designated Contract, (ii) the procedure governing the filing and service of objections, if any, to the proposed Cure Amounts and (iv) the procedures governing resolution of disputes, if any, regarding the Cure Amounts.

21. Unless a non-debtor party to a Designated Contract files an objection to its scheduled Cure Amount (a "Cure Amount Objection"), in accordance with the Objection Requirements, on or before **4:00 p.m.** (prevailing Eastern time) on **June 11, 2004** and serves a copy of its objection upon the Objection Notice Parties, so as to be received no later than 4:00 p.m. (prevailing Eastern time) on the same day, such non-debtor party shall (i) be forever barred from objecting to the Cure Amount and from asserting any additional cure or other amounts with respect to such Designated Contract, and the Debtors shall be entitled to rely solely upon the Cure Amount; and (ii) be deemed to have consented to the assumption and assignment of such Designated Contract and shall be forever barred and estopped from asserting or claiming against the Debtors, the Purchaser or such other successful bidder or any other assignee of the relevant Designated Contract that any additional amounts are due or defaults exist, or conditions to assumption and assignment must be satisfied under such Designated Contract, or that the Designated Contracts cannot be assumed and assigned. In the event that any Cure Amount Objection is timely filed, such objection must set forth (i) the basis for the objection and (ii) the amount that the objecting party asserts as the Cure Amount (with appropriate documentation in support thereof). After receipt of the Cure Amount Objection, the Debtors will attempt to reconcile any difference in the Cure Amount believed to exist by the non-debtor party. In the

event, however, that the Debtors and the non-debtor party cannot consensually resolve their difference, the Debtors will segregate any disputed Cure Amounts pending the resolution of any disputes by this court or mutual agreement of the parties.

Additional Provisions

22. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the implementation of this Order.

23. Notwithstanding any provision in the Federal Rules of Bankruptcy Procedure to the contrary, the Debtors are not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order, and the Debtors may, in their discretion and without further delay, take any action and perform any act authorized under this Order.

24. The requirement set forth in Rule 9013-1(b) of the Local Rules for the United States Bankruptcy Court for the Southern District of New York that any motion or other request for relief be accompanied by a memorandum of law is deemed satisfied by the contents of the Motion.

25. The terms and provisions of this Order shall be binding in all respects upon the Debtors, the Purchaser and their respective affiliates, successors and assigns, including, without limitation, any trustee or examiner appointed in the Debtors' chapter 11 cases or any case under chapter 7 of the Bankruptcy Code to which the Debtors' chapter 11 cases may be converted, and any affected third parties.

26. Service of the notices described herein on the parties entitled to receive such notices pursuant to this Order shall constitute proper, timely, adequate and sufficient notice thereof and satisfies the requirements of sections 105 and 363 of the Bankruptcy Code and Rules

2002, 6004, 7004, 9006, 9007 and 9008 of the Bankruptcy Rules, and no other or further notice is or shall be required.

27. Pursuant to Bankruptcy Rules 6004(g) and 6006(d), this Order shall be effective and enforceable immediately upon entry.

Dated: New York, New York
May 24, 2004

/s/ Cornelius Blackshear
HONORABLE CORNELIUS BLACKSHEAR
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A
Bidding Procedures

EXHIBIT A TO SCHEDULING ORDER

BIDDING PROCEDURES

Set forth below are the bidding procedures (the “Bidding Procedures”) to be employed with respect to the transactions contemplated by the Asset Purchase Agreement, by and among Spiegel Catalog International Limited (the “Purchaser”), Spiegel, Inc., Spiegel Catalog, Inc. (“Catalog”), Spiegel Publishing Co. (“Publishing”), Spiegel Catalog Services, LLC (“LLC”) and Spiegel Group Teleservices-Canada, Inc. (“SGTS-Canada”) (Catalog, Publishing, LLC and SGTS-Canada, collectively, the “Sellers”), dated as of May 23, 2004 (as amended from time to time, the “Agreement”)¹, concerning the sale (the “Sale”) of the “Spiegel” name and of the Sellers’ right, title and interest in and to all of the assets, rights, privileges, claims, contracts (to the extent transferable) and properties of every kind, nature, character and description, wherever located, used in or relating to the conduct of the Sellers’ business of selling women’s apparel and other merchandise through the catalog entitled “Spiegel Catalog” and the e-commerce site at www.spiegel.com (as defined more specifically in the Agreement, the “Purchased Assets”).

A. The Bidding Process

The Sellers will (i) in consultation with representatives of the official committee of unsecured creditors appointed in the Chapter 11 Cases (collectively, the “Committee”) determine whether any Person is a Qualified Overbidder, (ii) coordinate the efforts of Qualified Overbidders in conducting their respective due diligence investigations regarding the Business, the Purchased Assets and the Assumed Liabilities generally, (iii) receive offers from Qualified Overbidders, and (iv) in consultation with the Committee negotiate any offer made to purchase the Purchased Assets and the Assumed Liabilities (collectively, the “Bidding Process”). Any Person who wishes to participate in the Bidding Process must be a Qualified Overbidder, and neither the Sellers nor their representatives are obligated to furnish any information of any kind whatsoever relating to the Sellers or the Purchased Assets and the Assumed Liabilities to any Person who is not a Qualified Overbidder. The Sellers have the right to adopt such other rules for the Bidding Process that the Sellers determine, in consultation with the Committee, will better promote the goals of the Bidding Process and that are not inconsistent with any of the other provisions hereof or of any order of the Bankruptcy Court.

To participate in the Bidding Process, each Person (a “Potential Bidder”), other than the Purchaser, must deliver (unless previously delivered) to the Sellers an executed confidentiality agreement in form and substance satisfactory to the Sellers and no less restrictive than the Confidentiality Agreement.

B. Determination of Qualified Overbidder Status

A “Qualified Overbidder” is a Potential Bidder that the Sellers in their business judgment, after consultation with the Committee, determine is financially able to consummate the purchase of the Purchased Assets and the assumption of the Assumed Liabilities. The Purchaser is a Qualified Overbidder. Miller Buckfire Lewis Ying & Co., LLC (“MBLY”) and the Committee’s financial advisors shall be entitled to due diligence from the Qualified Overbidder, upon execution of a confidentiality agreement in form and substance reasonably satisfactory to the Sellers and no less restrictive than the Confidentiality Agreement. The Qualified Overbidder shall comply with all

¹ Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

reasonable requests for additional information and due diligence access by MBL Y and the Committee's financial advisors. Failure by the Qualified Overbidder to fully comply with requests for additional information and due diligence access will be a basis for the Sellers to determine that any bid made by the Qualified Overbidder is not a Qualified Overbid.

C. Bid Deadline

A Qualified Overbidder who desires to make a bid must deliver its good faith deposit via wire transfer (or other form acceptable to the Sellers in their sole discretion) in Account No. 3752186004 at Bank of America, Dallas, TX, ABA No. 111000012 (account in the name of Spiegel, Inc.) in an amount equal to or greater than \$350,000 (such amount representing the sum of (x) \$50,000, the amount of the Purchaser's Deposit, plus (y) \$250,000, the maximum amount of the Expense Reimbursement, plus (z) \$50,000, the Overbid Increment) (the "Good Faith Deposit"), and must deliver a copy of its Required Bid Documents to each of (i) Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attention: Andrew V. Tenzer, Esq. (atenzer@shearman.com); (ii) Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177, Attention: Stuart Erickson (stuart.erickson@mbly.com); (iii) Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112, Attention: David LeMay, Esq. (dlemay@chadbourne.com); (iv) Spiegel Catalog, Inc., c/o Spiegel, Inc., 3500 Lacey Road, Downers Grove, Illinois 60515, Attention: Robert H. Sorensen, General Counsel (robert_sorensen@spgl.com); (v) Spiegel Catalog International Limited, Suite 902, 61 Spain Garden Lane, 1980 Luo Xiu Road, Minhang, Shanghai, China 201100; (vi) Gould & Ratner, 222 North LaSalle Street, Eighth Floor, Chicago, Illinois 60601, Attention: Christopher J. Horvay, Esq. (chorvay@gouldratner.com); and (vii) Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022, Attention: Gary B. Bernstein, Esq. (gbernstein@kayescholer.com) so as to be received not later than **June 11, 2004 at 4:00 p.m.** (prevailing Eastern time) (the "Bid Deadline").

D. Determination of Qualified Overbid Status

A bid received from a Qualified Overbidder will constitute a "Qualified Overbid" only if it includes all of the Required Bid Documents listed below and meets all of the Bid Requirements set forth below. Notwithstanding the foregoing, the bid set forth in the Agreement will be deemed a Qualified Overbid for all purposes in connection with the Bidding Process, the Auction and the Sale.

Required Bid Documents. Except as expressly provided to the contrary by the Agreement, in order to participate in the Bidding Process, each Potential Bidder, other than the Purchaser, must deliver (unless previously delivered) to the Sellers, at the Sellers' request, the following documents (collectively, the "Required Bid Documents") by the Bid Deadline:

- (i) a written offer stating that: (a) the Qualified Overbidder offers to purchase all or substantially all of the Purchased Assets and to assume all or substantially all of the Assumed Liabilities; (b) the Qualified Overbidder is prepared to enter into a legally binding purchase and sale agreement for the acquisition of the Business on terms and conditions no less favorable to the Sellers than those contained in the Agreement immediately following the conclusion of the Auction (as defined in Section E, below); and (c) the Qualified Overbidder's offer is irrevocable until the Closing of a Sale;
- (ii) a copy of the purchase and sale agreement described above in section D(i)(b) marked to show proposed amendments and modifications to the Agreement and executed by the Qualified Overbidder; and

- (iii) current audited financial statements of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of acquiring the Purchased Assets and the Assumed Liabilities, current audited financial statements of the equity holder(s) of the Potential Bidder or such other form of financial disclosure acceptable to the Sellers and their advisors, after consultation with the Committee, demonstrating such Potential Bidder's ability to close the proposed transaction.

Bid Requirements. Except as expressly provided to the contrary by the Agreement, all bids must satisfy the following requirements (collectively, the "Bid Requirements"):

- (i) the Sellers must determine, after consultation with their financial advisors and the Committee, that the bid (A) is not materially more burdensome or conditional than the bid set forth in the Agreement and (B) has a value greater than the sum of (x) \$2,300,000 (which amount represents the sum of (i) the Purchase Price, (ii) \$50,000, the amount of the Overbid Increment, and (iii) \$250,000, the maximum amount of the Expense Reimbursement), plus (y) the consideration to the Sellers arising from the assumption of the Assumed Liabilities under the Agreement plus (z) all other consideration to the Sellers under the Agreement;
- (ii) the bid is on substantially the same or better terms and conditions than those set forth in the Agreement;
- (iii) the bid is not conditioned upon the Bankruptcy Court's approval of any bid protections, such as a break-up fee, termination fee, expense reimbursement or similar type of payment;
- (iv) the bid is not conditioned upon the Potential Bidder's financing requirements;
- (v) the bid acknowledges and represents that the bidder: (a) has had an opportunity to conduct any and all due diligence regarding the Purchased Assets and the Assumed Liabilities prior to making its offer; (b) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid; and (c) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures and the Sellers' representations and warranties in the Agreement; and (d) is not contingent upon any additional due diligence; and
- (vi) the bid is received by the Bid Deadline.

E. Auction

If one or more Qualified Overbids is received, the Sellers will conduct an auction (the "Auction") with respect to the Purchased Assets and the Assumed Liabilities. If no Qualified Overbid (other than that of the Purchaser) is received by the Bid Deadline, the Sellers shall report the same to the Bankruptcy Court, the Purchaser's bid will be deemed the Successful Bid and the Sellers shall proceed with the transactions contemplated by the Agreement.

The Auction, if required, will commence at 10:00 a.m. (prevailing Eastern time) on Tuesday, June 15, 2004, before the Honorable Cornelius Blackshear, United States Bankruptcy Judge for

the Southern District of New York, United States Bankruptcy Court, Courtroom 601, One Bowling Green, New York, New York 10004, or at such other time or place determined by the Bankruptcy Court.

Only the Purchaser, the Sellers and their advisors, Qualified Overbidders who have submitted Qualified Overbids, the United States trustee, the Committee and representatives of the Sellers' postpetition secured lenders will be entitled to attend, participate and be heard at the Auction, and only the Purchaser and Qualified Overbidders will be entitled to make any subsequent Qualified Overbids at the Auction.

During the Auction, bidding will begin at the purchase price stated in the highest or otherwise best Qualified Overbid (taking into account the Expense Reimbursement), and will subsequently continue in minimum increments of at least \$50,000 higher than the previous Qualified Overbid (the "Overbid Increment"). All subsequent bids submitted by the Purchaser shall be "cash only" and shall not be deemed to include a credit in an amount equal to the sum of the maximum amount of the Expense Reimbursement. No entity (including, without limitation, the Purchaser) may object to any overbid not made by the Purchaser on the grounds that after deduction of the maximum amount of the Expense Reimbursement, such overbid is not the highest bid.

Bidding at the Auction will continue until such time as the highest or otherwise best Qualified Overbid is determined. Upon conclusion of the Auction, the Sellers, in consultation with the Committee, will (i) review each Qualified Overbid on the basis of financial and contractual terms and other factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identify the highest or otherwise best offer for the Purchased Assets (the "Successful Bid") and the second highest and best offer for the purchase of the Purchased Assets (the "Back-up Bid").

F. Expense Reimbursement

If (a) the Bankruptcy Court approves a higher and better bid than that submitted by the Purchaser, (b) the Sellers withdraw the motion for Bankruptcy Court approval of the Sale and the Purchaser is not in material breach of the Agreement (and has not otherwise terminated the Agreement pursuant to the provisions of Section 10.01(a) or (f) thereto), or (c) notwithstanding the fact that all of the Sellers' conditions to Closing have been satisfied or waived by the Sellers and the Purchaser is not in material breach of the Agreement, the Sellers refuse to consummate the Sale, then the Purchaser shall be entitled to reimbursement for its documented, out-of-pocket expenses reasonably incurred in connection with the transaction contemplated in the Agreement, not to exceed \$250,000 (the "Expense Reimbursement").

G. Acceptance of Qualified Overbids

At the Sale Hearing, the Sellers will seek entry of the Approval Order authorizing and approving the Sale (i) if no Qualified Overbid is received (other than that of the Purchaser), to the Purchaser pursuant to the terms and conditions set forth in the Agreement, (ii) if one or more Qualified Overbids are received by the Sellers, to the Purchaser or such Qualified Overbidder as the Sellers, in the exercise of their business judgment, after consultation with the Committee, determine to have made the highest or otherwise best offer to purchase the Purchased Assets (the "Successful Bidder") or (iii) to the extent of any default by the Successful Bidder, to the Qualified Overbidder who submitted the Back-up Bid. The Sale Hearing may be adjourned or rescheduled without notice by an announcement of the adjourned date at the Sale Hearing.

The Sellers' presentation to the Bankruptcy Court for approval of a particular Qualified Overbid does not constitute the Sellers' acceptance of the bid, except with respect to the bid of the Purchaser as reflected in the Agreement (subject to higher or otherwise better Qualified Overbids and subject to Bankruptcy Court approval). The Sellers will be deemed to have accepted any other bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing. The Sellers shall not be deemed to have rejected any bid unless or until either the sale of the Purchased Assets closes and/or such bid is rejected in writing.

Following the Sale Hearing approving the sale of the Purchased Assets to the Successful Bidder (i) if such Successful Bidder fails to consummate an approved Sale because of a breach or failure to perform on the part of such Successful Bidder, the Back-up Bid, as disclosed at the Sale Hearing, will be deemed to be the Successful Bid and the Sellers will be authorized, but not required, to consummate the Sale with the Back-up Bidder submitting such bid without further order of the Bankruptcy Court or, (ii) if a Qualified Overbidder other than the Purchaser fails to consummate the Sale for any reason and the Purchaser has made the Back-up Bid, then the Purchaser shall purchase the Purchased Assets on the terms and conditions set forth in the Agreement (except the Closing Date shall be extended for a reasonable period of time, not to exceed thirty (30) days, to allow the Purchaser to complete such purchase) and at the final purchase price bid by the Purchaser at the Auction, without requiring further Bankruptcy Court Approval.

H. Return of Good Faith Deposit and Purchaser's Deposit

The Good Faith Deposits of all Qualified Overbidders and the Purchaser's Deposit will be retained by the Sellers and all Qualified Overbids will remain open until the Closing of a Sale; provided, however, that if no Closing of a Sale occurs on or before 30 days after the Sale Hearing, the Sellers shall, except as provided in the immediately following paragraph, within five (5) Business Days, return or cause to be returned each of the Good Faith Deposits to the respective Overbidder that made such Good Faith Deposit and the Purchaser's Deposit to the Purchaser.

If a Successful Bidder fails to consummate an approved Sale because of a breach or failure to perform on the part of such Successful Bidder and the Sellers are not then in material breach of the Agreement, the Sellers will not have any obligation to return the Good Faith Deposit or the Purchaser's Deposit, as the case may be, deposited by such Successful Bidder, and such Good Faith Deposit or the Purchaser's Deposit, as the case may be, irrevocably will become the property of the Sellers and shall not be credited against the purchase price of the subsequent buyer and the Purchaser shall pay to the Sellers the Purchaser's Deposit. In the event of a material breach of the Agreement by the Purchaser, as a result of which the Sellers are entitled to retain the Purchaser's Deposit in accordance with this paragraph, the Sellers' right to such funds shall constitute the Sellers' sole and exclusive remedy for any breach of the Agreement by the Purchaser.

I. Court Imposed Qualified Overbid

In order for the Sellers to accept any alternative offer, such alternative offer must be a Qualified Overbid or an offer that the Sellers are required to accept by the Bankruptcy Court.

J. Modifications of Bidding Procedures

The Sellers, after consultation with the Committee, may (a) determine in their business judgment which Qualified Overbid, if any, is the highest or otherwise best offer, and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Overbid, any bid (other than that of the Purchaser) that the Sellers, in consultation with the Committee, determine to be (i) inadequate or

insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures or the terms and conditions of the Agreement, or (iii) contrary to the best interests of the Sellers, their estates and their creditors. At or before the Sale Hearing, the Sellers may impose such other terms and conditions upon Qualified Overbidders (other than the Purchaser) as they determine, in consultation with the Committee, to be in the best interests of the Sellers' estates, their creditors and other parties in interest in the Chapter 11 Cases.

EXHIBIT B

Notice of Auction and Sale Hearing

EXHIBIT B TO SCHEDULING ORDER

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
: **Chapter 11**
:
In re: : **Case No. 03 - 11540 (CB)**
:
SPIEGEL, INC., et al., : **(Jointly Administered)**
:
Debtors. :
:
:
:
-----X

NOTICE OF AUCTION AND SALE HEARING

PLEASE TAKE NOTICE THAT:

Pursuant to the **Emergency Scheduling Order, Pursuant to, Inter Alia, 11 U.S.C. §§ 363, 365, 503(b) and 105(a) and Bankruptcy Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008: (I) Fixing Date and Time of Auction for Sale of the Assets of Spiegel Catalog, Inc., Spiegel Publishing Co., Spiegel Catalog Services, LLC and Spiegel Group Teleservices-Canada, Inc. Related to the Spiegel Catalog Business, Free and Clear of All Liens; (II) Establishing Bidding Procedures; (III) Approving Expense Reimbursement; (IV) Approving Cure Amount Procedures Relating to Assumed Contracts; and (V) Approving Form and Manner of Notices of Auction and Cure Amount Procedures** (Docket No. _____) (the "**Scheduling Order**")¹, approved by the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**") on May 24, 2004, Spiegel, Inc. ("**Spiegel**") and certain of its direct and indirect subsidiaries, each a debtor and debtor in possession in the above-captioned chapter 11 cases, including Spiegel Catalog, Inc. ("**Catalog**"), Spiegel Publishing Co. ("**Publishing**"), Spiegel Catalog Services, LLC ("**LLC**") and Spiegel Group Teleservices-Canada, Inc. ("**SGTS-Canada**") (Catalog, Publishing, LLC and SGTS-Canada, collectively, the "**Sellers**"), will conduct an auction of the "**Spiegel**" name and the Sellers' right, title and interest in and to all of the assets, rights, privileges, claims, contracts (to the extent transferable) and properties of every kind, nature, character and description, wherever located, used in or relating to the conduct of the Sellers' business of selling women's apparel and other merchandise through the "**Spiegel Catalog**" catalog and the www.spiegel.com e-commerce site (as defined more specifically in the Agreement (as defined below), the "**Purchased Assets**"), including certain executory contracts and unexpired leases (the "**Designated Contracts**").

¹ All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Scheduling Order. This Notice is qualified in its entirety by the Scheduling Order. All persons and entities are urged to read the Scheduling Order and the provisions thereof carefully. To the extent this Notice is inconsistent with the Scheduling Order, the terms of the Scheduling Order shall govern.

The Sale. Under the terms of the Asset Purchase Agreement, by and among Spiegel, the Sellers and Spiegel Catalog International Limited (the “Purchaser”), dated as of May 23, 2004 (as amended from time to time, the “Agreement”), the Sellers propose to sell the Purchased Assets, free and clear of all Liens (except for certain assumed liabilities), and to assume and assign to the Purchaser the Designated Contracts, all as set forth more fully in the Agreement, subject to higher and better offers and Bankruptcy Court approval.

The Auction. Pursuant to the Scheduling Order, any party wishing to submit an offer to purchase the Purchased Assets must deliver its good faith deposit via wire transfer (or other form acceptable to the Sellers in their sole discretion) in Account No. 3752186004 at Bank of America, Dallas, TX, ABA No. 111000012 (account in the name of Spiegel, Inc.) in an amount equal to or greater than \$350,000 (such amount representing the sum of (x) \$50,000, the Purchaser’s Deposit, plus (y) \$250,000, the maximum amount of the Expense Reimbursement, plus (z) \$50,000, the Overbid Increment) (the “Good Faith Deposit”), and must deliver a copy of its Required Bid Documents (as defined in the Scheduling Order) to each of: (i) Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attention: Andrew V. Tenzer, Esq. (atenzer@shearman.com); (ii) Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177, Attention: Stuart Erickson (stuart.erickson@mbly.com); (iii) Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112, Attention: David LeMay, Esq. (dlemay@chadbourne.com); (iv) Spiegel Catalog, Inc., c/o Spiegel, Inc., 3500 Lacey Road, Downers Grove, Illinois 60515, Attention: Robert H. Sorensen, General Counsel (robert_sorensen@spgl.com); (v) Spiegel Catalog International Limited, Suite 902, 61 Spain Garden Lane, 1980 Luo Xiu Road, Minhang, Shanghai, China 201100; (vi) Gould & Ratner, 222 North LaSalle Street, Eighth Floor, Chicago, Illinois 60601, Attention: Christopher J. Horvay, Esq. (chorvay@gouldratner.com); and (vii) Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022, Attention: Gary B. Bernstein, Esq. (gbernstein@kayescholer.com) so as to be received not later than **June 11, 2004 at 4:00 p.m.** (prevailing Eastern time) (the “Bid Deadline”).

If no Qualified Overbid (other than that of the Purchaser) is received by the Bid Deadline, the Sellers shall report the same to the Bankruptcy Court, the Purchaser’s bid will be deemed the Successful Bid (as defined below) and the Sellers shall proceed with the transactions contemplated by the Agreement.

If, however, a Qualified Overbid (other than that of the Purchaser) is received by the Bid Deadline, the Sellers will conduct an auction (the “Auction”) for the Purchased Assets beginning on **Tuesday, June 15, 2004 at 10:00 a.m.** (prevailing Eastern time) before the Honorable Judge Blackshear, United States Bankruptcy Judge for the Southern District of New York, One Bowling Green, New York, New York 10004, Courtroom 601. Attendance and participation at the Auction is subject to certain terms, conditions and procedures (collectively, the “Bidding Procedures”) described in and annexed as Exhibit A to the Scheduling Order. All interested parties are invited to pre-qualify for the Auction and to present competing offers to purchase the Purchased Assets in accordance with the Bidding Procedures.

Bidding at the Auction will commence at the purchase price stated in the highest or otherwise best Qualified Bid (taking into account the Expense Reimbursement), and will subsequently continue in minimum increments of at least \$50,000 higher than the previous Qualified Overbid until such time as the highest or otherwise best Qualified Overbid is

determined. All subsequent bids submitted by the Purchaser shall be “cash only” and shall not be deemed to include a credit in an amount equal to the sum of the maximum amount of the Expense Reimbursement. Upon conclusion of the Auction, the Sellers, in consultation with the Creditors’ Committee, will (i) review each Qualified Overbid on the basis of financial and contractual terms and other factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale, and (ii) identify the highest or otherwise best offer for the Purchased Assets (the “Successful Bid”) and the second highest and best offer for the purchase of the Purchased Assets (the “Back-up Bid”).

The Sale Hearing. Also on **Tuesday, June 15, 2004 at 10:00 a.m.** (prevailing Eastern time), immediately following the Auction, or as soon thereafter as counsel may be heard, a hearing (the “Sale Hearing”) will be held before the Honorable Judge Blackshear, United States Bankruptcy Judge for the Southern District of New York, One Bowling Green, New York, New York 10004, Courtroom 601, at which the Sellers will seek entry of the Approval Order, substantially in the form annexed to the Agreement as Appendix C, authorizing and approving the sale, (i) if no Qualified Overbid is received (other than that of the Purchaser), to the Purchaser pursuant to the terms and conditions set forth in the Agreement, (ii) if another Qualified Overbid is received by the Sellers, to the Successful Bidder at the Auction or, (ii) to the extent of any default by the Successful Bidder, to the Qualified Overbidder who submitted the Back-up Bid.

Objections to the Sale of the Property. Any objection to the entry of the Approval Order must (a) be in writing; (b) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules; (c) set forth the name of the objector, the nature and amount of claims or interests held or asserted by the objector against the Sellers’ estates or property, the basis for the objection, and the specific grounds therefor; (d) be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court’s case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to the chambers of Judge Blackshear) and served in accordance with General Order M-182; and (e) be further served so that it is RECEIVED no later than **4:00 p.m.** (prevailing Eastern time) on **June 11, 2004** by: (i) counsel for the Sellers, Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022 (Attn: Andrew V. Tenzer, Esq. and Jill Frizzley, Esq.); (ii) counsel for the Purchaser, Gould & Ratner, 222 North LaSalle Street, Eighth Floor, Chicago, Illinois 60601, Attention: Christopher J. Horvay, Esq. (chorvay@gouldratner.com); (iii) the Office of the United States trustee, 33 Whitehall Street, Suite 2100, New York, New York 10044 (Attn: Deirdre A. Martini, Esq.); (iv) financial advisors to the Sellers, Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177 (Attention: Stuart Erickson); (v) counsel for the Creditors’ Committee, Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112 (Attn: Howard Seife, Esq. and David LeMay, Esq.); (vi) counsel for the Bank of America, N.A., Agent for the Sellers’ postpetition lenders, Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022 (Attn: Marc D. Rosenberg, Esq. and Benjamin Mintz, Esq.); and (vii) the parties set forth on the Master Service List approved by the “Order Pursuant to 11 U.S.C. §§ 102 and 105(a) and (d) and Bankruptcy Rules 2002(m), 9006 and 9007 Establishing Certain Notice, Case Management and Administrative Procedures and Scheduling Initial Case conference in Accordance with Local Bankruptcy Rule 1007-2(e)” entered by the Bankruptcy Court on March 21, 2003 (Docket No. 72). **ANY OBJECTION TO THE ENTRY OF THE APPROVAL ORDER NOT TIMELY**

FILED AND SERVED IN THE MANNER SET FORTH ABOVE MAY NOT BE CONSIDERED AND MAY BE OVERRULED BY THE COURT AT THE JUNE 15, 2004 HEARING.

Copies of the Scheduling Order, the Agreement and the motion seeking approval of the same are available from Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attention: Henry Nguyen, Law Clerk, telephone number (212) 848-4520.

Dated: New York, New York
May ____, 2004

James L. Garrity, Jr. (JG-8389)
Andrew V. Tenzer (AT -2263)
SHEARMAN & STERLING LLP
599 Lexington Avenue
New York, NY 10022
Telephone: (212) 848-4000
Facsimile: (212) 848-7179

Attorneys for the Debtors and Debtors in Possession

EXHIBIT C

Cure Amount Notice

EXHIBIT C TO SCHEDULING ORDER

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
: **Chapter 11**
:
In re: : **Case No. 03 - 11540 (CB)**
:
SPIEGEL, INC., et al., : **(Jointly Administered)**
:
Debtors. :
:
:
:
-----X

NOTICE OF CURE AMOUNT IN CONNECTION WITH ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES

PLEASE TAKE NOTICE that on May 24, 2004, Spiegel, Inc. and certain of its direct and indirect subsidiaries, each a debtor and debtor in possession in the above-captioned chapter 11 cases, including Spiegel Catalog, Inc. ("Catalog"), Spiegel Publishing Co. ("Publishing"), Spiegel Catalog Services, LLC ("LLC") and Spiegel Group Teleservices-Canada, Inc. ("SGTS-Canada") (Catalog, Publishing, LLC and SGTS-Canada, collectively, the "Sellers"), filed with the United States Bankruptcy Court for the Southern District of New York an **Emergency Motion for Order Pursuant to Inter Alia, 11 U.S.C. §§ 363, 365, 503(b) and 105(a) and Bankruptcy Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008: (I) Fixing Date and Time of Auction for Sale of the Assets of Spiegel Catalog, Inc., Spiegel Publishing Co., Spiegel Catalog Services, LLC and Spiegel Group Teleservices-Canada, Inc. Related to the Spiegel Catalog Business (the "Purchased Assets"), Free and Clear of All Liens (the "Proposed Sale"); (II) Establishing Bidding Procedures; (III) Approving Expense Reimbursement; (IV) Approving Cure Amount Procedures Relating to Assumed Contracts; and (V) Approving Form and Manner of Notices of Auction and Cure Amount Procedures** (Docket No. [____]) (the "Motion"). An order granting the relief requested in the Motion was entered on May 24, 2004 (Docket No. [____]) (the "Scheduling Order").

PLEASE TAKE FURTHER NOTICE that pursuant to the Scheduling Order, on the closing date of the Proposed Sale, the Sellers intend to assume and assign to Spiegel Catalog International Limited (the "Purchaser") or to such other successful bidder at the auction (the "Successful Bidder") for the Purchased Assets certain of the Sellers' executory contracts and unexpired leases (the "Designated Contracts") upon satisfaction of the cure amounts that the Sellers are required to pay under section 365(b)(1)(A) of title 11 of the United States Code (the "Bankruptcy Code") (the "Cure Amounts"). The Designated Contracts that the Sellers may seek to assume and assign and the corresponding Cure Amounts are listed on the attached Exhibit A hereto.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the assumption and assignment of the Designated Contracts and the corresponding Cure Amounts, must: (a) be in writing; (b) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules; (c) set forth the name of the objector, the nature and amount of claims or interests held or asserted by the objector against the Sellers' estates or property, the basis for the objection, and the specific grounds therefor; (d) be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to the chambers of Judge Blackshear) and served in accordance with General Order M-182; and (e) be further served so that they are RECEIVED no later than **4:00 p.m.** (prevailing Eastern time) on **June 11, 2004** by: (i) counsel for the Debtors, Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022 (Attn: Andrew V. Tenzer, Esq. and Jill Frizzley, Esq.); (ii) counsel for the Purchaser, Gould & Ratner, 222 North LaSalle Street, Eighth Floor, Chicago, Illinois 60601 (Attn: Christopher J. Horvay, Esq.); (iii) the Office of the United States trustee, 33 Whitehall Street, Suite 2100, New York, New York 10044 (Attn: Deirdre A. Martini, Esq.); (iv) financial advisors to the Sellers, Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177 (Attn: Stuart Erickson); (v) counsel for the official committee of unsecured creditors, Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112 (Attn: Howard Seife, Esq. and David LeMay, Esq.); (vi) counsel for the Bank of America, N.A., agent for the Debtors' postpetition lenders, Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022 (Attn: Marc D. Rosenberg, Esq. and Benjamin Mintz, Esq.) and (vii) the parties set forth on the Master Service List approved by the "Order Pursuant to 11 U.S.C. §§ 102 and 105(a) and (d) and Bankruptcy Rules 2002(m), 9006 and 9007 Establishing Certain Notice, Case Management and Administrative Procedures and Scheduling Initial Case conference in Accordance with Local Bankruptcy Rule 1007-2(e)" entered by the Bankruptcy Court on March 21, 2003 (Docket No. 72).

PLEASE TAKE FURTHER NOTICE that pursuant to the Scheduling Order, any non-debtor party to a Designated Contract that fails to file and serve timely an objection to its scheduled Cure Amount (a "Cure Amount Objection") in accordance with the objection requirements set forth in the immediately preceding paragraph shall (i) be forever barred from objecting to the Cure Amount and from asserting any additional cure or other amounts with respect to such Designated Contract (and the Sellers shall be entitled to rely solely upon the Cure Amount); and (ii) be deemed to have consented to the assumption and assignment of such Designated Contract and shall be forever barred and estopped from asserting or claiming against the Sellers, the Purchaser or such other Successful Bidder or any other assignee of the relevant Designated Contract that any additional amounts are due or defaults exist, or conditions to assumption and assignment must be satisfied under such Designated Contract.

PLEASE TAKE FURTHER NOTICE that pursuant to the Scheduling Order, in the event that any Cure Amount Objection is timely filed, the Sellers will attempt to reconcile any difference in the Cure Amount believed to exist by the non-debtor party. In the event, however, that the Sellers and the non-debtor party cannot consensually resolve the difference, the

Sellers will segregate any disputed Cure Amounts pending the resolution of any disputes by the Bankruptcy Court or mutual agreement of the parties.

Copies of the Scheduling Order and the Motion are available from Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attention: Henry Nguyen, Law Clerk, telephone number (212) 848-4520.

Dated: New York, New York
_____, 2004

James L. Garrity, Jr. (JG-8389)
Andrew V. Tenzer (AT -2263)
SHEARMAN & STERLING LLP
599 Lexington Avenue
New York, NY 10022
Telephone: (212) 848-4000
Facsimile: (212) 848-7179

Attorneys for the Debtors and Debtors in Possession

EXHIBIT C TO SCHEDULING ORDER

EXHIBIT A TO EXHIBIT C

Designated Contracts to be Assumed and Assigned, and Corresponding Cure Amounts

	Name of Counterparty to Designated Contract	Address	Designated Contract	Cure Amount
1.				
2.				
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24.				

	Name of Counterparty to Designated Contract	Address	Designated Contract	Cure Amount
25.				
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APPENDIX C
APPROVAL ORDER

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	-X	
	:	
	:	Chapter 11
	:	
In re:	:	Case No. 03 - 11540 (CB)
	:	
SPIEGEL, INC., <u>et al.</u> ,	:	(Jointly Administered)
	:	
Debtors.	:	
	:	
	:	
	-X	

ORDER, PURSUANT TO, INTER ALIA, 11 U.S.C. §§ 363, 365, 503(b) AND 105(a) AND BANKRUPTCY RULES 2002, 6004, 6006, 7004, 9006, 9007 AND 9008: (I) AUTHORIZING SPIEGEL CATALOG, INC., SPIEGEL PUBLISHING CO., SPIEGEL CATALOG SERVICES, LLC AND SPIEGEL GROUP TELESERVICES-CANADA, INC. TO ENTER INTO, PERFORM UNDER AND TAKE ALL ACTIONS NECESSARY TO GIVE EFFECT TO AN AMENDED PURCHASE AGREEMENT WITH EITHER (A) SPIEGEL CATALOG INTERNATIONAL LIMITED OR (B) THE SUCCESSFUL BIDDER; (II) AUTHORIZING ASSUMPTION AND ASSIGNMENT OF RELATED EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) AUTHORIZING CERTAIN OF THE DEBTORS TO (A) PERFORM UNDER A TRANSITION SERVICES AGREEMENT IN CONNECTION WITH THE SALE AND (B) TRANSFER CERTAIN ASSETS IN CONNECTION WITH THE SALE; AND (IV) GRANTING CERTAIN RELATED RELIEF

Upon the motion dated May 24, 2004 (Docket No. 1711) (the “Catalog Sale Motion”)¹ of Spiegel, Inc. (“Spiegel”) and certain of its direct and indirect subsidiaries, each a debtor and debtor in possession herein (collectively, the “Debtors”), including Spiegel Catalog, Inc. (“Catalog”), Spiegel Publishing Co. (“Publishing”), Spiegel Catalog Services, LLC (“LLC”) and Spiegel Group Teleservices-Canada, Inc. (“SGTS-Canada”) (Catalog, Publishing, LLC and SGTS-Canada, collectively, the “Sellers”), seeking the entry of an order pursuant to sections 363, 365, 503(b) and 105(a) of title 11 of the United States Code (the “Bankruptcy Code”) and

¹ Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Scheduling Order, the Motion or the Stock Purchase Agreement (as defined herein), as the case may be.

Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”): (I) approving the sale of the assets of the Sellers related to the Spiegel Catalog Business and of the “Spiegel” name (the “Purchased Assets”), free and clear of all Liens (except as set forth in the Purchase Agreement), to Spiegel Catalog International Limited (the “Purchaser”) for a purchase price of Two Million Dollars (\$2,000,000) (plus additional consideration of \$22,000,000 in inventory commitments and \$29,400,000 of all or substantially all of the liabilities of the Sellers (the “Assumed Liabilities”)) (the “Purchase Price”), subject to adjustments as set forth in the Asset Purchase Agreement, dated as of May 23, 2004, among Spiegel, the Sellers and the Purchaser (the “Purchase Agreement”) and to any higher and better bids that may be made in accordance with the bidding procedures set forth therein (the “Proposed Asset Sale”); (II) authorizing the assumption and assignment of the executory contracts and unexpired leases to be assumed by the applicable Seller and assigned to the Purchaser (the “Designated Contracts”) pursuant to the Purchase Agreement; and (III) authorizing certain of the Debtors to perform under a Transition Services Agreement in connection with the Proposed Asset Sale; and upon the Motion dated June 7, 2004 (Docket No. ___) (the “Amending Motion,” and together with the Catalog Sale Motion, the “Motions”) of the Sellers respectfully requesting the entry of this order (the “Approval Order”) (i) authorizing the Sellers enter into an amended purchase agreement with the Purchaser (the “Stock Purchase Agreement”), substantially in the form attached hereto as Exhibit A, which provides for (a) the Purchased Assets and the Assumed Liabilities to be sold, assigned and transferred to a newly formed, wholly-owned non-Debtor subsidiary of one of the Sellers (“Newco”); (b) all of the ownership interests in Newco (the “Shares”) to be transferred to Spiegel; and (c) Spiegel to sell the Shares to the Purchaser; (ii) authorizing the Sellers to enter into, perform under and take all

actions necessary to give effect the Stock Purchase Agreement; (iii) modifying the form of the order sought in connection with the Catalog Sale Motion; and this Court having entered an order on May 24, 2004 (the “Scheduling Order”) (Docket No.1707) approving, among other things, the scheduling of an auction for the Purchased Assets (the “Auction”); and the Auction having been held on June 15, 2004, in accordance with the Scheduling Order; and the Sellers having determined that [the PURCHASER or SUCCESSFUL BIDDER’S NAME] has submitted the highest or otherwise best bid for the Purchased Assets; and a hearing on the Motions having been held on June 15, 2004 (the “Hearing”); and adequate and sufficient notice of the Motions, the Proposed Sale, the Cure Amount Procedures, the Auction and the Stock Purchase Agreement and all transactions contemplated thereunder and in this Approval Order having been given to all parties in interest in these cases; and all interested parties having been afforded an opportunity to be heard with respect to the Motions and all relief related thereto; and this Court having reviewed and considered (a) the Motions, (b) the objections thereto, if any, and (c) the arguments of counsel made and the evidence proffered or adduced at the Hearing; and after due deliberation thereon and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:

A. On March 17, 2003 (the “Petition Date”), each of the Debtors filed a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors’ chapter 11 cases have been procedurally consolidated for administrative purposes. The Debtors have continued in possession of their respective properties and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. This Court has jurisdiction to grant the relief provided for herein pursuant to 28 U.S.C. §§ 157 and 1334, and this matter constitutes a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue is proper before this Court under 28 U.S.C. §§ 1408 and 1409.

C. Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate.

D. [At the Auction, [the PURCHASER or OTHER SUCCESSFUL BIDDER] (the “Successful Bidder”) submitted the highest and best offer of \$_____ (the “Successful Bid”) for the Purchased Assets on terms set forth in the purchase agreement between the Successful Bidder and the Sellers (the “Final Purchase Agreement”, a copy of which is annexed hereto as Exhibit A.)]

E. [The Sellers received no Qualified Overbids for the Purchased Assets prior to the Bid Deadline. Accordingly, no Auction was conducted, the Purchaser is deemed the successful bidder (hereinafter referred to as the “Successful Bidder”) and the Purchase Price, as set forth in the Stock Purchase Agreement (hereinafter referred to as the “Final Purchase Agreement” and a copy of which is annexed hereto as Exhibit A), is deemed the successful bid (the “Successful Bid”).]

F. Proper, timely, adequate and sufficient notice of the Motions, the Proposed Sale, the Auction, the Cure Amount Procedures and the Hearing has been provided to all parties entitled thereto in accordance with sections 102, 105 and 363 of the Bankruptcy Code and Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 of the Bankruptcy Rules, as evidenced by the affidavits of service and publication filed with this Court and based on representations of counsel at the Hearing, and no other or further notice of the Motions, the Proposed Sale, the Auction, the Cure Amount Procedures or the Hearing is or shall be required.

G. A reasonable opportunity to object or be heard regarding the Proposed Sale has been afforded to all interested persons and entities in accordance with sections 102, 105 and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 including: (i) the Office of the United States trustee, (ii) counsel to the Creditors' Committee, (iii) counsel to the agent for the Debtors' postpetition lenders, (iv) counsel for the Purchaser, (v) all parties who have delivered to the Debtors or their advisors written expressions of interest in acquiring, or offers to acquire, the Purchased Assets, (vi) the Internal Revenue Service, (vii) all appropriate federal, state and local taxing authorities, (viii) all known persons holding a lien, easement or other interest in or on part or all of the Purchased Assets, (ix) all non-debtor parties to the Designated Contracts and (x) all parties listed on the Master Service List.

H. The Sellers have full corporate power and authority to execute the Final Purchase Agreement, and all other documents contemplated thereby, and to consummate the transactions contemplated by the Final Purchase Agreement. The Final Purchase Agreement and all of the transactions contemplated thereby have been duly and validly authorized by all necessary corporate actions of the Sellers. No consents or approvals, other than the consent and approval of this Court and those expressly provided for in the Final Purchase Agreement, are required for the Sellers to consummate the Proposed Sale.

I. The Debtors have properly exercised their reasonable business judgment in determining to contribute the Purchased Assets and Assumed Liabilities to Newco, sell the Newco Shares to Spiegel, Inc., which in turn will sell the Newco Shares to the Successful Bidder pursuant to the Final Purchase Agreement. The Debtors have shown good and sufficient business justification under sections 363(b) and (l) and section 105(a) of the Bankruptcy Code for the sale, assignment and transfer of the Purchased Assets and Assumed Liabilities to Newco,

the sale of the Shares to Spiegel, and the subsequent sale of the Shares to the Successful Bidder free and clear of Liens, outside a plan of reorganization.

J. The approval of the Proposed Sale is in the best interests of the Debtors, their estates, creditors and other parties in interest in that, without exclusion:

- a. the Final Purchase Agreement was negotiated, proposed and entered into in good faith, from arm's length bargaining positions between the Sellers and the Successful Bidder;
- b. the Sellers were free to deal with any other party interested in acquiring the Purchased Assets to be contributed and the Shares to be sold pursuant to the Final Purchase Agreement;
- c. the Sellers have provided for adequate notice and an opportunity to be heard in connection with the Proposed Sale;
- d. the Successful Bidder is a third party unrelated to the Sellers, and is not a continuation of the Sellers' corporations.

K. The consideration to be paid by the Successful Bidder to the Debtors, pursuant to the Final Purchase Agreement (i) represents the highest and best offer for the Purchased Assets, (ii) is fair and reasonable, (iii) will provide a greater recovery for Debtors' creditors than would be provided by any other practical, available alternative and (iv) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

L. The Debtors have demonstrated that (i) it is an exercise of their sound business judgment to assume the Designated Contracts and to assign the Designated Contracts to Newco pursuant to the Final Purchase Agreement and (ii) the assumption and assignment of the Designated Contracts is in the best interests of the Sellers, their estates and their creditors. The Designated Contracts being assigned to, and the liabilities thereunder being assumed by, Newco, and guaranteed by the Successful Bidder pursuant to Section 5.18 of the Final Purchase

Agreement, are an integral part of the Purchased Assets and, accordingly, such assignment and assumption are reasonable and enhance the value of the Sellers' estates.

M. The Successful Bidder and Newco have provided adequate assurance of their future performance under the assigned Designated Contracts within the meaning of sections 365(b)(1)(C) (to the extent applicable) and 365(f)(2)(B) of the Bankruptcy Code.

N. As of the Closing Date, each assumed Designated Contract for which no Cure Amount Objection has been filed or for which a Cure Amount Objection was filed and resolved will be in full force and effect and enforceable against the non-debtor party thereto in accordance with its terms.

O. The Successful Bidder is not an "insider" or "affiliate" of the Debtors (as each term is defined in section 101 of the Bankruptcy Code). The sale of the Purchased Assets was proposed, negotiated and entered into by the parties in good faith, from arm's length bargaining positions and without collusion. Neither the Debtors nor the Successful Bidder has engaged in any conduct that would prevent the application of section 363(m) of the Bankruptcy Code or permit the Final Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code. Consequently, the Successful Bidder is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby.

P. Upon the Contribution Closing, the transfer of the Purchased Assets shall be a legal, valid and effective transfer of property of the Sellers' estates to Newco and shall vest in Newco all right, title and interest of the Sellers in and to the Purchased Assets, free and clear of all Liens in and on the Purchased Assets (other than the Assumed Liabilities), under sections 363(f) and 105(a) of the Bankruptcy Code; provided, however, that Newco, as guaranteed by the

Successful Bidder shall be liable to pay, perform and discharge the Assumed Liabilities pursuant to Section 5.18 of the Final Purchase Agreement.

Q. Upon the Stock Transfer, the transfer of the Shares shall be a legal, valid and effective transfer of property of the Sellers' estates to Spiegel and shall vest in Spiegel all right, title and interest of the Sellers in and to the Shares, free and clear of all Liens in and on the Shares (other than the Assumed Liabilities), under sections 363(f) and 105(a) of the Bankruptcy Code.

R. Upon the Closing, the transfer of the Shares shall be a legal, valid and effective transfer of property of Spiegel to the Successful Bidder and shall vest in the Successful Bidder all right, title and interest of Spiegel in and to the Shares, free and clear of all Liens in and on the Shares, under sections 363(f) and 105(a) of the Bankruptcy Code; provided, however, that the Successful Bidder shall be liable to pay, perform and discharge the Assumed Liabilities pursuant to Section 5.18 of the Final Purchase Agreement.

S. Except as provided in the Final Purchase Agreement or this Approval Order, consummation of the Proposed Sale does not and will not subject the Successful Bidder to any Liens in and on the (i) Purchased Assets (other than the Assumed Liabilities) (ii) the Shares existing as of the date hereof or hereafter arising, of or against the Debtors, any affiliate of the Debtors, or any other person by reason of such transfer and assignment under the laws of the United States, any state, territory or possession applicable to such transactions; provided, however, that Newco and the Successful Bidder shall be liable to pay, perform and discharge the Assumed Liabilities as provided in the Final Purchase Agreement.

T. The Successful Bidder would not have entered into the Final Purchase Agreement and would not consummate the transactions contemplated thereby, thus adversely

affecting the Debtors, their estates and creditors, if the Proposed Sale were not free and clear of all Liens in and on the (i) Purchased Assets (other than the Assumed Liabilities) and (ii) the Shares, or if Newco or the Successful Bidder would, or in the future could, be liable for any Liens on the Purchased Assets (other than the Assumed Liabilities) on the Shares as the case may be.

U. With respect to any and all entities asserting a Lien in or on part or all of the Purchased Assets either (i) such entity has consented to the sale free and clear of its Lien, with such interest to attach to the proceeds from the sale, or (ii) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such Lien, so that the conditions of section 363(f) of the Bankruptcy Code have been met.

V. The Proposed Sale must be approved and consummated promptly to preserve the viability of the Debtors' businesses as a going concern, to maximize the value of the Debtors' estates and to position the Debtors to emerge from chapter 11.

W. The Debtors have, to the extent necessary, satisfied the requirements of sections 365(b)(1) and 365(f) of the Bankruptcy Code in connection with the Proposed Sale, the assumption and assignment of the Designated Contracts, and shall upon assignment thereof on the Closing Date be relieved from any liability for any breach thereof.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Catalog Sale Motion, previously filed May 24, 2004, as modified by the Amending Motion, is granted in its entirety (other than with respect to matters addressed in the Amending Motion) and the Proposed Sale and all other transactions contemplated under the Final Purchase Agreement are hereby approved.

2. Any objections to the entry of this Approval Order or the relief granted herein that have not been withdrawn, waived, resolved or settled, and all reservations of rights included therein, are hereby overruled.

Approval of the Final Purchase Agreement

3. The terms and conditions of the Final Purchase Agreement, including, without limitation, (i) the contribution of the Purchased Assets to Newco; (ii) the assumption by the Sellers to Newco of the Designated Contracts and (iii) the assumption by Newco of the Assumed Liabilities (guaranteed by the Successful Bidder pursuant to Section 5.18 of the Final Purchase Agreement); (iv) the transfer of the Shares to Spiegel; and (v) the subsequent sale of the Shares by Spiegel to the Successful Bidder, and hereby are authorized and approved in all respects, pursuant to sections 363(b), 365(a), 365(b), 365(f), 365(k) and 105(a) of the Bankruptcy Code.

4. Pursuant to sections 363(b) and 365(a) of the Bankruptcy Code, Spiegel and the Sellers are hereby authorized, directed and empowered to assume fully, perform under, consummate and implement the Final Purchase Agreement, together with any and all additional instruments and documents, including without limitation the Ancillary Agreements, that reasonably may be necessary or desirable to implement the Final Purchase Agreement and consummate the Proposed Sale, and to take all further actions as may reasonably be requested by the Successful Bidder for the purpose of assigning, transferring, granting, conveying, conferring and contributing to Newco or reducing to Newco's possession the Purchased Assets, including assuming and assigning the Designated Contracts and the Assumed Liabilities (which obligations are guaranteed by the Successful Bidder pursuant to Section 5.18 of the Final Purchase Agreement), or as may be necessary or appropriate to the performance of the Spiegel's and the Sellers' obligations as contemplated by the Final Purchase Agreement.

Transfer of the Purchased Assets

5. Except as provided in the Final Purchase Agreement, pursuant to sections 363(f) and 105(a) of the Bankruptcy Code, effective upon the consummation of the transactions contemplated by the Final Purchase Agreement, (i) the Purchased Assets shall be transferred and assigned to Newco free and clear of any and all Liens in and on the Purchased Assets (other than the Assumed Liabilities); (ii) the Shares shall be transferred from the Sellers to Spiegel free and clear of all Liens; and (iii) the Shares shall be sold by Spiegel to the Successful Bidder free and clear of all Liens, with all such Liens to attach to the net proceeds of the Proposed Sale in the order of their priority, with the same validity, force and effect that they now have as against the Purchased Assets, all subject to the rights, claims, defenses and objections, if any, of the Sellers and all interested parties with respect to such Liens.

6. Except as expressly permitted or otherwise specifically provided by the Final Purchase Agreement or this Approval Order, all persons and entities, including but not limited to all debt security holders, equity security holders, governmental, tax, and regulatory authorities, lenders, trade and other creditors, holding any and all Liens in and on the Purchased Assets (other than the Assumed Liabilities) against or in Spiegel, the Sellers or the Purchased Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated) arising under or out of, in connection with, or in any way relating to, Spiegel, the Sellers, the Purchased Assets, the operation of the Sellers' businesses prior to the Closing Date (as defined in the Final Purchase Agreement) or the transfer of the Purchased Assets to Newco, hereby are forever barred, estopped, and permanently enjoined from asserting against Newco, the Successful Bidder or their successors or assigns, their property, or the Purchased Assets, such persons' or entities' Liens in and on the Purchased Assets.

7. The transfer of the Purchased Assets to Newco pursuant to the Final Purchase Agreement constitutes a legal, valid and effective transfer of the Purchased Assets and shall vest Newco with all right, title, and interest of Spiegel and the Sellers in and to the Purchased Assets free and clear of all Liens in and on the Purchased Assets (other than the Assumed Liabilities).

8. The transfer of the Shares from the Sellers to Spiegel upon the Stock Transfer pursuant to the Final Purchase Agreement constitutes a legal, valid and effective transfer of the Shares and shall vest Spiegel with all right, title, and interest of Spiegel and the Sellers in and to the Shares free and clear of all Liens in and on the Newco Shares.

9. The sale of the Shares by Spiegel to the Successful Bidder upon the Closing pursuant to the Final Purchase Agreement constitutes a legal, valid and effective transfer of the Shares and shall vest the Successful Bidder with all right, title, and interest of Spiegel in and to the Shares free and clear of all Liens in and on the Shares.

10. On the Closing Date, each creditor of Spiegel or the Sellers holding a Lien in and on the Purchased Assets is authorized and directed to execute such documents and take all other actions as may be necessary to release its Liens (other than the Assumed Liabilities) in the Purchased Assets, if any, as such Lien may have been recorded or may otherwise exist.

11. This Approval Order is and shall be (a) effective as a determination that, effective on the Closing Date, (i) all Liens in and on the Purchased Assets (other than the Assumed Liabilities) or the Shares prior to the Closing Date unconditionally have been released, discharged and terminated, (ii) the transfer and assignment of the Purchased Assets and the Shares has been effected and (iii) the assumption of the Assumed Liabilities has been effected and (b) binding upon and govern the acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds,

registrars of deeds, registrars of patents, trademarks or other intellectual property, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to the Purchased Assets or the Shares. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Final Purchase Agreement.

12. If any person or entity that has filed financing statements or other documents or agreements evidencing any Lien in and on the Purchased Assets shall not have delivered to Spiegel or the Sellers, prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction or releases in respect of all such Liens (other than the Assumed Liabilities) that such person or entity has with respect to the Purchased Assets, Spiegel and the Sellers hereby are authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Purchased Assets.

13. At the Contribution Closing and from and after the Contribution Closing Date, Newco shall assume the Assumed Liabilities pursuant to Section 2.02 of the Final Purchase Agreement, including without limitation, the Liabilities under the Designated Contracts, such obligations being guaranteed by the Successful Bidder pursuant to Section 5.18 of the Final Purchase Agreement.

14. The Successful Bidder and its Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by the Sellers for and

against all losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including reasonable attorneys' and consultants' fees and expenses) actually suffered or incurred by them (collectively, the "Losses"), arising out of or resulting from: (i) the Excluded Assets; (ii) the Excluded Liabilities; (iii) those Liabilities that the Sellers have agreed to pay pursuant to Section 2.04 of the Final Purchase Agreement; (iv) Liabilities that the Sellers have agreed to pay pursuant to Section 5.10 of the Final Purchase Agreement.

15. The Sellers and their Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by Newco, and following the Closing, the Successful Bidder for and against any and all Losses arising out of or resulting from: (i) the Assumed Liabilities; (ii) the Purchased Assets; (iii) all Liabilities related to the Transferred Employees to the extent related to the period on or after the Closing Date; (iv) those Liabilities that the Successful Bidder has agreed to pay pursuant to Section 2.04 of the Final Purchase Agreement; (v) those Liabilities that the Successful Bidder has agreed to pay pursuant to Section 5.10 of the Final Purchase Agreement; (vi) the fees, costs and expenses that the Successful Bidder has agreed to pay pursuant to Section 5.18 of the Final Purchase Agreement; and (v) the Obligations set forth in Section 5.18 of the Final Purchase Agreement.

16. Other than with respect to the Assumed Liabilities, (a) under no circumstances shall Newco be deemed a successor of or to the Sellers for any Lien against the Sellers or in or on the Purchased Assets of any kind or nature whatsoever; and (b) following the Closing Date, no holder of a Lien against the Sellers or in or on the Purchased Assets shall interfere with Newco's title to or use and enjoyment of the Purchased Assets based on or related to such Lien or any actions that the Sellers may take in their chapter 11 cases.

17. All entities, if any, that are presently, or on the Closing Date may be, in possession of part or all of the Purchased Assets are hereby directed to surrender possession of such Purchased Assets to Newco on the Closing Date.

Assumption and Assignment of the Designated Contracts

18. Subject to the approval, where applicable, of the Canadian Court, and except to the extent any such Designated Contracts are deemed Excluded Assets by virtue of Section 2.01(b)(xi) of the Final Purchase Agreement, the Sellers are hereby authorized, pursuant to sections 365(a), 365(b) and 365(f) of the Bankruptcy Code, to (a) assume the Designated Contracts and assign them to Newco, effective upon the Closing, free and clear of any and all Liens (other than the Assumed Liabilities), with such Obligations being guaranteed by the Successful Bidder in accordance with Section 5.18 of the Final Purchase Agreement and (b) execute and deliver to Newco such documents or other instruments as may be necessary to cure, transfer and assign to Newco, and cause Newco to assume the Designated Contracts.

19. The Sellers are responsible for and bear the cure and reinstatement costs and expenses for services rendered before the Closing Date required by section 365(b)(i) of the Bankruptcy Code and relating to the assumption and assignment of the Designated Contracts. Other than by contract of the Successful Bidder, the satisfaction of any and all Cure Amounts is and shall remain the obligation of the Sellers and neither Newco nor the Successful Bidder shall have any responsibility therefor, whether to any third party or otherwise. The Sellers are responsible for the verification of all Cure Amounts, including all administrative responsibilities associated therewith, and shall use their reasonable best efforts to establish the proper Cure Amounts for each Designated Contract, including the filing and prosecution of any and all appropriate proceedings in this Court.

20. Newco shall pay to the applicable Seller any damage claim associated with the rejection of any contract deleted from Section 2.04 of the Disclosure Schedule in accordance with Section 2.04 of the Final Purchase Agreement, and the Successful Bidder shall guaranty such payment in accordance with Section 5.18 of the Final Purchase Agreement.

21. Pursuant to the terms of the Final Purchase Agreement and consistent with the requirements of sections 365(b) and 365(f) of the Bankruptcy Code, the Sellers are hereby authorized and directed to pay, at the Closing of the Proposed Sale, or as soon thereafter as is practicable or as otherwise ordered by this Court, the Cure Amounts set forth in the Cure Amount Notice with respect to each Designated Contract, and upon such payment, all defaults or other obligations of the Sellers under the Designated Contracts arising or accruing prior to the date of this Approval Order (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be deemed in all respects cured by the Sellers, and neither Newco nor the Successful Bidder shall have any liability or obligation arising or accruing prior to the Closing Date, except as otherwise expressly provided in the Final Purchase Agreement or as agreed between the Successful Bidder and any Designated Contract counterparty.

22. No consent from any third party is required under any Designated Contract in order to effectuate assumption and assignment of such Designated Contract.

23. The consent of any non-debtor counter-party to a Designated Contract to the assumption and assignment of said Designated Contract to the Successful Bidder shall be deemed a consent on the part of non-debtor counter-party to the assumption and assignment of said Designated Contract to Newco.

24. The Designated Contracts shall be transferred to and remain in full force and effect for the benefit of Newco in accordance with their respective terms, notwithstanding any provision in any such Designated Contract (including those of the type described in sections 365(f)(3) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer.

25. Pursuant to section 365(k) of the Bankruptcy Code, upon assignment by the Sellers to Newco of the Designated Contracts at the Closing, the Sellers shall be relieved from any liability for any breach of such Designated Contract occurring after such assignment.

26. Notwithstanding anything to the contrary in this Approval Order, upon assumption of the Designated Contracts, Newco is assuming all Liabilities arising under such Designated Contracts arising on and accruing after the applicable assumption date, with such Liabilities being guaranteed by the Successful Bidder pursuant to Section 5.18 of the Final Purchase Agreement. Newco and the Successful Bidder shall be obligated to pay all amounts for services rendered and goods provided under such Designated Contracts that arise on and after the Closing Date in accordance with the terms and conditions of all such Designated Contracts. Unless included in the Assumed Liabilities, any amounts for services rendered and goods provided under such Designated Contracts during the period before the Closing Date shall not be a liability of Newco and the Successful Bidder.

27. Each counterparty to the Designated Contracts is forever barred, estopped, and permanently enjoined from asserting against Spiegel, the Sellers, Newco or the property of any of them, any default existing as of the date of the Hearing or, against Newco, any counterclaim, defense, setoff or any other claim asserted or assertable against the Sellers.

28. No provision in this Approval Order, the Final Purchase Agreement or any ancillary documents (including the Cure Amount Notice) shall affect (i) the right of any counterparty to a Designated Contract that was entered into after the Petition Date to request payment by any Debtor of an administrative expense pursuant to sections 503(b) and 507(a)(1) of the Bankruptcy Code (or for the Debtor to make such payment in the ordinary course) or (ii) any defense or counterclaim of any Debtor in respect of any such request.

29. The failure of the Sellers or Newco to enforce at any time one or more terms or conditions of any Designated Contract shall not be a waiver of such terms or conditions or of the Sellers' or Newco's rights to enforce every term and condition of the Designated Contracts.

Transfer of New Waterford Lease and Related Assets

30. If the Sellers and the Successful Bidder fail to receive the Canadian Approval Order or the consents of the counterparties to the New Waterford Lease as of the Closing, then the Sellers and the Successful Bidder shall continue to use commercially reasonable efforts to seek the Canadian Approval Order and such consents, as applicable, for a period of 60 days following the Closing. If the Canadian Approval Order and such consents are received during such 60 day period, then as promptly as practicable thereafter (i) SGTS-Canada shall assign and transfer to the Successful Bidder the assets and properties of SGTS-Canada located at the New Waterford call center facility, (ii) SGTS-Canada shall assign the New Waterford Lease to the Successful Bidder, (iii) the Successful Bidder shall assume all Liabilities under the New Waterford Lease arising from and after the date of such assignment and (iv) the Successful Bidder shall comply with the provisions of Section 7.01, 7.07, 7.08 and 7.09 of the Final Purchase Agreement with respect to the Non-U.S. Employees.

Transition Services Agreement

31. The applicable non-Seller Debtors hereby are authorized to perform under the Transition Services Agreement to the extent so requested by the Sellers in order for the Sellers to fulfill their obligations thereunder.

Permission to Use Corporate Names

32. In accordance with Section 5.14 of the Final Purchase Agreement, each of the Sellers shall execute all forms or certifications required in order to permit the Successful Bidder or one or more of its Affiliates to use the word “Spiegel” in their corporate and trade names. As of the Closing, the Successful Bidder shall acquire rights to the name “Spiegel”, “Spiegel Catalog” and all derivations thereof and shall have all exclusive rights to use the name “Spiegel” and “Spiegel Catalog” in its and its Affiliates’ corporate and trade names.

33. Notwithstanding the foregoing paragraph, but subject to the remaining provisions of the subsequent paragraph, Spiegel and the Sellers shall be entitled to continue using the “Spiegel” name solely in their corporate names (i) in connection with the consummation of their reorganization and Bankruptcy Court filings, (ii) in Spiegel’s filings with the Securities and Exchange Commission and (iii) as otherwise may be required by Law, but, in each case, only consistent with an order of the Bankruptcy Court.

34. At the Closing, each of the Sellers shall deliver executed versions, in the form necessary for filing, of all documents and certificates required to change their corporate or limited liability company names to remove the word “Spiegel”. Upon the consummation of its Chapter 11 Case, Spiegel shall take all actions, and file all documents and certificates, required to change its corporate name to remove the word “Spiegel”. In addition, following the Closing and at the request of the Successful Bidder, Spiegel will use commercially reasonable efforts to

take all actions and file all documents and certificates required to change its corporate name to remove the word “Spiegel”; provided that the Successful Bidder shall reimburse Spiegel for all costs and expenses (including the reasonable fees and expenses of counsel) incurred by Spiegel in connection with the taking of such actions and the filing of such certificates and documents.

Additional Provisions

35. The Successful Bidder is a good faith purchaser of the Purchased Assets. Accordingly, in the absence of a stay pending appeal, if the Successful Bidder consummates the Proposed Sale at any time after entry of this Approval Order, the Successful Bidder shall be entitled to the benefits and protections of section 363(m) of the Bankruptcy Code in the event of a reversal or modification on appeal of this Approval Order.

36. The consideration provided by the Successful Bidder for the Purchased Assets under the Final Purchase Agreement shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia, and may not be avoided under section 363(n) of the Bankruptcy Code.

37. The terms and provisions of the Final Purchase Agreement, together with the terms and provisions of this Approval Order, shall be binding in all respects upon the Sellers, Newco, Spiegel, the Successful Bidder and their respective affiliates, successors and assigns, including, without limitation, any trustee or examiner appointed in the Sellers’ chapter 11 cases or any case under chapter 7 of the Bankruptcy Code to which the Sellers’ chapter 11 cases may be converted, any affected third parties, including, without limitation, the counterparties to the Designated Contracts and all non-debtor parties to the Assumed Liabilities, and all persons asserting a claim against or interest in the Sellers’ estates or any of the Purchased Assets.

38. Except as otherwise expressly set forth in the Final Purchase Agreement, the Ancillary Agreements (and any and all other documents and agreements executed in connection with the Final Purchase Agreement) and this Approval Order, the Successful Bidder shall not have any liability or responsibility for any obligation of, or claim against, the Sellers arising under or related to the Purchased Assets or the Shares. Without limiting the generality of the foregoing, except as otherwise expressly set forth in the Final Purchase Agreement, the Ancillary Agreements (and any and all other documents and agreements executed in connection with the Final Purchase Agreement) and this Approval Order, the Successful Bidder shall not be liable for any claims against the Sellers or any of their predecessors or affiliates, and the Successful Bidder shall not have any successor or vicarious liabilities of any kind or character whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, with respect to the Sellers or any obligations of the Sellers arising prior to the Closing Date, including, but not limited to, liabilities on account of any taxes arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of the Sellers' businesses prior to the Closing Date.

39. The Successful Bidder shall not be required to seek or obtain relief from the automatic stay under section 362 of the Bankruptcy Code to enforce any of its remedies under the Final Purchase Agreement or any other document related to the Proposed Sale. The automatic stay imposed by section 362 of the Bankruptcy Code is modified solely to the extent necessary to implement the preceding sentence.

40. Any Liens attaching to any of the Purchased Assets prior to the transaction contemplated under the Final Purchase Agreement shall remain attached from and after the Contribution Closing and until the sale of the Shares to the Purchaser. Notwithstanding anything

to the contrary in this Approval Order, upon the effectiveness of the Closing, the transfer of the U.S. Purchased Assets and the U.S. Assumed Liabilities from the Sellers to Newco, the sale of the Shares from Spiegel to the Successful Bidder and the sale of the Canadian Purchased Assets and Canadian Assumed Liabilities to the Canadian Purchaser shall be free and clear of all Liens.

41. The effectiveness of the Contribution Closing and the Stock Transfer are subject to and conditioned upon the effectiveness of the Closing. If the Closing does not occur, the Sellers are hereby authorized to accept and Newco is hereby directed, as soon as is practicable, but no more than five (5) Business Days following the Contribution, to assign, transfer, grant, convey confer and contribute back to the Sellers the Purchased Assets as if the Contribution had never occurred. If the Closing does not occur, the Sellers are hereby authorized to accept and Spiegel is hereby directed to transfer back to the Sellers the Shares as if the Stock Transfer had never occurred.

42. Until the consummation of the Closing, Newco is deemed to guaranty the Liens attaching to those Purchased Assets.

43. The failure to include specifically any particular provisions of the Final Purchase Agreement in this Approval Order shall not diminish or impair the efficacy of such provisions, it being the intent of this Court that the Final Purchase Agreement be authorized and approved in its entirety.

44. The Final Purchase Agreement and any related agreements, documents or other instruments, including, without limitation, the Ancillary Agreements, may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of this Court, provided that any such modification, amendment or supplement has no material adverse effect on the Sellers' estates or their creditors.

45. This Court retains the jurisdiction (i) to enforce and implement the terms and provisions of the Final Purchase Agreement, all amendments thereto authorized by this Approval Order, any waivers and consents thereunder, and of each of the agreements, documents and instruments executed in connection therewith, including, without limitation, the Ancillary Agreements, (ii) to compel delivery of the Purchased Assets to Newco, (iii) to compel delivery of the Purchase Price to the Sellers under the Final Purchase Agreement, (iv) to compel the transfer of the Purchased Assets and Assumed Liabilities from Newco to the Sellers as if the Contribution had never occurred, in the event that the Closing does not occur, (v) compel the transfer of the Shares from Spiegel to the Sellers as if the Stock Transfer had never occurred, in the event the Closing does not occur; (vi) to enforce the guaranty required of the Purchaser as set forth in Section 5.18 of the Final Purchase Agreement (vi) to resolve any disputes, controversies or claims arising out of or relating to the Final Purchase Agreement and (vii) to interpret, implement and enforce the provisions of this Approval Order.

46. Nothing contained in any subsequent order of this Court, or in any plan of reorganization or any order of this Court confirming such plan in the Sellers' chapter 11 cases, shall conflict with or impair the provisions of the Final Purchase Agreement or the terms of this Approval Order.

47. The requirement set forth in Rule 9013-1(b) of the Local Rules for the United States Bankruptcy Court for the Southern District of New York that any motion or other request for relief be accompanied by a memorandum of law is deemed satisfied by the contents of the Motion.

48. Proper, timely, adequate and sufficient notice of the Motions, the Proposed Sale, the Auction, the Cure Amount Procedures and the Hearing has been provided to

all parties entitled thereto in accordance with sections 102, 105 and 363 of the Bankruptcy Code and Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 of the Bankruptcy Rules, as evidenced by the affidavits of service and publication filed with this Court and based on representations of counsel at the Hearing, and no other or further notice of the Motion, the Proposed Sale, the Auction, the Cure Amount procedures or the Hearing is or shall be required. This Approval Order constitutes an itemized statement of the property sold, the name of each purchaser and the price received for the property as a whole as required pursuant to Rule 6004(f)(1) of the Bankruptcy Rules.

49. Pursuant to Bankruptcy Rules 6004(g) and 6006(d), this Approval Order shall be effective and enforceable immediately upon entry.

Dated: New York, New York
June __, 2004

HONORABLE CORNELIUS BLACKSHEAR
UNITED STATES BANKRUPTCY JUDGE

DISCLOSURE SCHEDULE

The Disclosure Schedule to the Asset Purchase Agreement is incorporated herein in its entirety provided that (1) the following contract will be deleted from Section 2.04: Incentive Agreement dated August 27, 2003 between Cape Breton Growth Fund Corporation and Spiegel Group Teleservices-Canada, Inc. and (2) Geralynn Madonna will be added to Section 7.10.