
ASSET PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

ESCADA (USA) INC.

AND

ESCADA US SUBCO LLC

Dated as of December 21, 2009

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ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT, dated as of December 21, 2009 (this "Agreement"), is made and entered into by and between, Escada (USA) Inc., a Delaware corporation ("Seller"), and Escada US Subco LLC, a Delaware limited liability company ("Purchaser"). Seller and Purchaser are sometimes herein referred to collectively as "Parties" and individually as a "Party."

WITNESSETH:

WHEREAS, Seller is primarily engaged in the merchandising and selling of imported designer women's apparel, shoes and accessories under the "ESCADA" and "ESCADA SPORT" brands through retail boutiques, outlet stores and wholesale distribution channels throughout the United States (the "Business");

WHEREAS, on August 14, 2009, Seller filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code (as defined herein) with the United States Bankruptcy Court for the Southern District of New York (Case No. 09-15008 (SMB)) (the "Bankruptcy Case");

WHEREAS, on November 5, 2009, Purchaser's Affiliate (as defined herein) entered into an agreement with Escada AG ("Parent"), Seller's sole shareholder, for the purchase of certain assets related to Parent's core business as carried out by Parent and certain of its subsidiaries under the "ESCADA" and "ESCADA SPORT" brands and certain assets and contracts related thereto; and

WHEREAS, on the terms and subject to the conditions hereinafter set forth and pursuant to a Sale Order (as defined herein), the Parties desire to enter into this Agreement, pursuant to which, among other things, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, in accordance with sections 363 and 365 of the Bankruptcy Code, all of Seller's right, title and interest in and to the Transferred Assets (as defined herein) and Purchaser shall assume from Seller and thereafter pay, discharge and perform the Assumed Liabilities (as defined herein).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations, warranties and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. For the purposes of this Agreement, capitalized terms used herein shall have the meanings set forth in Exhibit A attached hereto.

Section 1.2 Other Definitional Provisions.

(a) 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.

(b) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term.

(c) Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”.

(d) The terms “day” and “days” mean and refer to calendar day(s).

(e) The terms “year” and “years” mean and refer to calendar year(s).

(f) The word “or” is inclusive and not exclusive.

(g) Any reference in this Agreement to “\$” shall mean United States dollars.

(h) Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent, (in the case of statutes) by succession of comparable successor statutes and by reference to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

(i) All Article and Section references herein are to Articles and Sections of this Agreement, unless otherwise specified.

(j) All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. No disclosure on a Schedule relating to a possible breach or violation of any Contract, Law or Order shall be construed as an admission or indication that breach or violation exists or has actually occurred. The disclosure of a particular item of information in a Schedule shall not be taken as an admission by the Party making such disclosure that such disclosure is required to be made. Any capitalized terms used in any Schedule or Exhibit, but not otherwise defined therein, shall be defined as set forth in this Agreement.

(k) This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Transferred Assets; Assumption of Assumed Liabilities.

(a) Transferred Assets. On the terms and subject to the conditions set forth herein and in the Sale Order and subject to Section 2.1(b), at the Closing, Seller shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, free and clear of any and all Liens (other than the Permitted Liens), all of Seller's right, title and interest in and to the Transferred Assets. The sale, assignment, transfer and delivery of the Transferred Assets shall be effected by delivery by Seller and Purchaser of the Assignment Agreement.

(b) Retained Assets. Purchaser expressly understands and agrees that all of Seller's right, title or interest in or to the Retained Assets shall be retained by Seller, notwithstanding any other provision hereof.

(c) Assumed Liabilities. On the terms and subject to the conditions set forth herein, Purchaser hereby agrees, effective as of the Closing, to assume and thereafter to pay, discharge, perform and otherwise satisfy when due, in accordance with their respective terms, (i) all Liabilities arising from and after the Closing with respect to the Transferred Assets or the operation of the Business by Purchaser from and after the Closing, (ii) all Liabilities of Seller with respect to each Assumed Contract arising with respect to the period commencing on the date of the assignment of such Assumed Contract pursuant to this Agreement, other than, as provided in Section 2.1(e), any Cure Amounts listed on Schedule 2.1(e)(ii), (iii) all Customer Program Liabilities incurred in the ordinary course of business, (iv) subject to Section 2.1(d) and Article VIII, all Liabilities with respect to Hired Employees arising after the Closing, (v) all Liabilities for ad valorem (or similar) property Taxes (whether assessed or unassessed) in respect of the Transferred Assets for any taxable period (or portion thereof) beginning on or after the Closing Date, and (vi) Purchaser's share of Transfer Taxes as set forth in Section 7.12(e), (collectively, the "Assumed Liabilities"). It is expressly understood that Purchaser is assuming only the Assumed Liabilities.

(d) Excluded Liabilities. Purchaser shall have no responsibility or liability for any liabilities or other obligations of Seller other than the Assumed Liabilities, and all liabilities and other obligations of Seller other than the Assumed Liabilities shall remain obligations of Seller (the "Excluded Liabilities"). Without limiting the foregoing, Excluded Liabilities shall include, without limitation, the following: (i) any Liabilities of the Seller pursuant to the WARN Act relating to the action or inaction of any Party in connection with the transaction contemplated hereby, (ii) any Liabilities (x) related to or arising out of the employment or termination of employment by Seller or its controlled Affiliates of any current or former employee or retiree of Seller, including any Employee of Seller (and any dependents or beneficiaries thereof) or (y) related to, arising out of or under any compensation or employee benefit plan, program or arrangement sponsored, maintained or contributed to by Seller or any of its Affiliates, including, without limitation, the Employee Benefit Plans, in each case, whether arising prior to, on or after

the Closing Date, (iii) any Liabilities related to or arising out of accounts payable, including without limitation those payable to Seller's Affiliates, and other accrued liabilities in respect of periods prior to the Closing Date, (iv) any Taxes (whether assessed or unassessed) of or relating to the Seller or relating to the Business or the Transferred Assets for any taxable period (or portion thereof) ending on or prior to the Closing Date, or arising or incurred with respect to the operations of the Seller prior to the Closing Date, (v) Seller's share of Transfer Taxes as set forth in Section 7.12(e), (vi) any Liabilities derived or resulting from or relating to the matters set forth on Schedule 5.6 hereto or Liens expunged with respect to the Transferred Assets by the Sale Order, (vii) any Liabilities related to or arising out of any investigations or proceedings of the U.S. Customs and Border Protection with respect to the Seller or the Business and (viii) any Liabilities pursuant to, or under, the Indenture dated March 23, 2005, among Escada AG, the Subsidiary Guarantors named therein, The Bank of New York and AIB BNY Fund Management (Ireland) Limited.

(e) Assumed Contracts; Cure Amounts.

(i) Assumed Contracts. At the Closing and pursuant to Section 365 of the Bankruptcy Code and the Sale Order, Seller shall assume and assign to Purchaser, and Purchaser shall consent to such assignment from Seller, each of the Assumed Contracts set forth on Schedule 1.1(c)(2), as such schedule may be amended from time to time by the Purchaser up to three (3) days prior to the Closing (the "Contract Designation Deadline") without affecting the Total Consideration provided for herein. After the Closing, Purchaser may request that Seller modify Schedule 1.1(c)(2) to add additional Contracts used primarily or held primarily for use by the Seller in the ownership, maintenance or operation of the Business or the Transferred Assets to Schedule 1.1(c)(2) as Assumed Contracts, provided that any such request to modify is made in writing by the Purchaser within thirty (30) days following the Closing Date. Upon receiving any such request, Seller, at the sole cost and expense of Purchaser, shall reasonably promptly, but in no event later than five (5) Business Days, file with the Bankruptcy Court a motion seeking entry of an Order (in form and substance reasonably satisfactory to Purchaser) approving the assumption and assignment of such additional Contracts to Purchaser no later than thirty (30) days after the filing of such motion; it being understood that any Cure Amounts payable in connection with the assignment and assumption of any such additional Contracts or any amounts paid by Seller after the Closing pursuant to such additional Contracts shall be payable by Purchaser. Seller shall reasonably promptly cause notices to be delivered to any counterparties to Contracts that are removed from Schedule 1.1(c)(2) pursuant to this section. Except as set forth in Section 7.17(b), the Parties expressly agree that from and after the Contract Designation Deadline, Seller may reject any Contract not specifically designated an Assumed Contract as of such time and thereafter shall not be required to modify Schedule 1.1(c)(2) with respect to any such rejected Contract.

(ii) Cure Amounts. On the later of (x) the Closing Date or as soon as practicable thereafter or (y) as soon as practicable following final Bankruptcy Court determination of any disputed Cure Amount in accordance with Section 2.1(e)(iv), the Seller shall pay to the counterparties to each Assumed Contract (A) the Pre-Petition Cure Amount set forth on Schedule 2.1(e)(ii) opposite each Assumed Contract (each Cure Amount so listed opposite an Assumed Contract, hereinafter referred to as the "Cure Cap") corresponding to such Assumed Contract) and (B) the Post-Petition Cure Amounts. To the extent any individual Pre-

Petition Cure Amount exceed the Cure Cap corresponding to such Assumed Contract, Purchaser shall have the option of (x) electing to pay the portion of the Pre-Petition Cure Amount that exceeds the Cure Cap or (y) electing not to assume such Assumed Contract which corresponding Pre-Petition Cure Amount exceeds the Cure Cap, in which case any such Contract would cease to be an Assumed Contract; provided, however, that Purchaser's election to take the actions described in the preceding clauses (x) or (y) shall not affect the Total Consideration or the obligations of the parties to consummate the transactions contemplated herein. Notwithstanding the foregoing, in no event shall Seller be obligated to pay a Pre-Petition Cure Amount for any Assumed Contract that is in excess of the corresponding Cure Cap.

(iii) Adequate Assurance. Purchaser shall be responsible for providing to the Bankruptcy Court any evidence necessary to prove adequate assurance of future performance necessary to effect the assumption and assignment of the Assumed Liabilities.

(iv) Determination of Cure Amounts. Seller shall use its commercially reasonable efforts to establish and verify all Cure Amounts related to the Assumed Contracts and to ensure that the Sale Order includes findings with respect to Cure Amounts for each Assumed Contract thereon, including, without limitation, taking all reasonable actions with respect to the filing and prosecution of any pleadings and proceedings in the Bankruptcy Court identifying the Cure Amounts and the service of any related notices or pleadings on the affected counterparty to the Assumed Contracts. Upon objection by the non-debtor party to any Assumed Contract, Purchaser or, upon prior written request of Purchaser, Seller shall either settle the objection of such party (subject to approval of Purchaser if such settlement sets a higher Cure Amount than the applicable Cure Cap for such Assumed Contract) or shall litigate such objection under procedures as the Bankruptcy Court shall approve and proscribe. In the event that a dispute regarding the Cure Amount with respect to an Assumed Contract has not been resolved as of the Closing, the Parties shall nonetheless remain obligated to consummate the transactions contemplated hereby, subject to the satisfaction of the conditions precedent set forth in Article IX. Following a Final Order determining a Cure Amount, payment of such Cure Amount shall be made in accordance with clause (ii) herein. The Sale Order shall provide that Purchaser may take any action and file any motions or other papers with respect to a Cure Amount required to be taken by Seller pursuant to this Section 2.1(e)(iv) in place and in the name of Seller or that Purchaser and Seller each shall be liable for fifty percent (50%) of the out-of-pocket fees, costs and expenses of Seller incurred in taking any such action or filing any motion or other papers, including, but not limited to, attorney's fees of Seller involved in any such settlement or litigation.

(v) Non-Assumed Contracts. If, prior to the Closing Date, any Assumed Contract that Purchaser desires to have assumed or assigned pursuant to this Section 2.1(e) is not assumed or assigned to Purchaser pursuant to a Final Order, Purchaser agrees that if the non-debtor party to the applicable Assumed Contract does not consent to the assignment and assumption of such Assumed Contract before the Closing Date (any such Assumed Contract, a "Non-Assumed Contract"), then such Non-Assumed Contract shall not be deemed to be an Assumed Contract within the meaning of this Agreement and, subject to the satisfaction of the conditions precedent set forth in Article IX, Purchaser shall nonetheless remain obligated to fulfill its obligations hereunder

(vi) Savannah Lease. Seller shall cooperate with Purchaser in Purchaser's efforts to negotiate an extension of the lease (the "Savannah Lease") by and between Seller and 226 West Broughton, LLC (the "Savannah Landlord") for the premises located at Suite 100B in the building located at 202 West Broughton Street, Savannah, GA; it being understood that in the event the parties are not able to obtain the Savannah Landlord's agreement to such extension or any other amendment to the Savannah Lease, the Purchaser shall nonetheless remain obligated to fulfill its obligations hereunder.

ARTICLE III

PURCHASE PRICE

Section 3.1 Purchase Price. The aggregate consideration for the Transferred Assets (the "Total Consideration") shall be an amount equal to the following, as adjusted pursuant to Section 3.4 and Section 3.5:

- (a) Six Million U.S. Dollars (\$6,000,000.00) (the "Transferred Assets Purchase Price"), plus
- (b) An amount equal to the New Inventory Amount, plus
- (c) The assumption of the Assumed Liabilities in accordance with Section 2.1(c), if any.

Section 3.2 Deposit.

(a) Within two (2) Business Days following the execution of this Agreement, Purchaser shall deposit with The Bank of New York Mellon (the "Escrow Agent"), pursuant to that certain Escrow Agreement, dated as of December 21, 2009, between Seller, Purchaser and the Escrow Agent (the "Escrow Agreement"), by certified check or wire transfer of immediately available funds, an amount equal to \$1,000,000.00 (the "Escrow Amount").

(b) Pursuant to the Escrow Agreement, the Escrow Amount shall (i) be applied as a deposit towards the Closing Date Payment as provided in Section 3.3, (ii) be returned to Purchaser (with any accrued interest actually paid thereon) in the event that this Agreement is terminated either (A) pursuant to Section 4.2(a), (c), (d), (e), (g), (h), (i) or (j) or (B) pursuant to Section 4.2(b) in the event that the Closing does not occur on or before the Outside Date due to Seller's failure to satisfy Purchaser's closing conditions or the non-occurrence of any Purchaser closing condition as set forth in Section 9.1 or Section 9.2, as applicable, or (iii) be paid to Seller (with any accrued interest actually paid thereon) in the event that this Agreement is terminated (A) pursuant to Section 4.2(f) or (B) pursuant to Section 4.2(b) in the event that the Closing does not occur on or before the Outside Date due to Purchaser's failure to satisfy Seller's closing conditions set forth in Section 9.3(b), (c) or (d).

Section 3.3 Payment of Purchase Price.

(a) Not later than three (3) Business Days prior to the Closing Date, Seller shall prepare and provide to Purchaser a statement (the "Estimated Closing Statement") showing Seller's calculation of the New Inventory Amount (the "Estimated New Inventory Amount"). At the request of Purchaser, Seller shall consult with Purchaser and Purchaser's Representatives in connection with the preparation of the Estimated Closing Statement and shall permit Purchaser and Purchaser's Representatives to review and make copies of all books, records or work papers used in the preparation of the Estimated Closing Statement.

(b) At the Closing, Purchaser shall deliver, or cause to be delivered, to Seller, by wire transfer of immediately available funds into an account designated in writing by Seller, the "Closing Date Payment", which shall be calculated as follows:

- (i) an amount equal to the Transferred Assets Purchase Price;
- (ii) plus an amount equal to the Estimated New Inventory Amount;
- (iii) minus an amount equal to the Escrow Amount.

(c) At the Closing, the Parties shall instruct the Escrow Agent to transfer to Seller the Escrow Amount by wire transfer of immediately available funds into an account designated in writing by Seller.

Section 3.4 Purchase Price Adjustment.

(a) As promptly as practicable, but no later than ten (10) days after the Closing Date, Purchaser shall cause to be prepared and delivered to Seller a closing statement (the "Closing Statement") setting forth Purchaser's calculation of the New Inventory Amount (the "Closing New Inventory Amount").

(b) Purchaser shall permit Seller to review all accounting records and all work papers and computations used by Purchaser in the preparation of the Closing Statement. If Seller disagrees with Purchaser's calculation of any item on the Closing Statement delivered pursuant to Section 3.4(a), Seller may, within ten (10) days after delivery of the Closing Statement, deliver a notice to Purchaser stating that Seller disagrees with such calculation and specifying in reasonable detail those items or amounts as to which Seller disagrees and the basis therefore. Seller shall be deemed to have agreed with all other items and amounts contained in the Closing Statement and the calculation of Closing New Inventory Amount for which a notice of disagreement has not been delivered by Seller to Purchaser within such ten (10) day period.

(c) If a notice of disagreement shall be duly delivered pursuant to Section 3.4(b), Seller and Purchaser shall, during the ten (10) days following such delivery (the "Reconciliation Period"), use their commercially reasonable efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the Closing New Inventory Amount. If during such period, Seller and Purchaser are unable to reach such agreement with respect to the Closing New Inventory Amount, they shall promptly thereafter cause a independent audit firm of

international reputation mutually agreed upon by the Parties (or if the Parties are unable to agree upon an independent audit firm within five (5) days of the end of the Reconciliation Period, the independent audit firm of international reputation selected by the American Arbitration Association at the request of either Party (it being understood that such request by a Party shall preclude a later request by the other Party)) (an “Independent Auditor”) to review this Agreement and the disputed items or amounts for the purpose of calculating the Closing New Inventory Amount (it being understood that in making such calculation, the Independent Auditor shall be functioning as an expert). Each of Seller and Purchaser agree that it shall not engage, or agree to engage the Independent Auditor to perform any services other than as the Independent Auditor pursuant hereto until the Closing New Inventory Amount has been finally determined pursuant to this Section 3.4. Each Party agrees to execute, if requested by the Independent Auditor, a reasonable engagement letter. In making such calculation, the Independent Auditor shall consider only those items or amounts in the Closing Statement and Purchaser’s calculation of Closing New Inventory Amount as to which Seller has disagreed in its notice of disagreement duly delivered pursuant to Section 3.4(b). In making its determination, the Independent Auditor shall not, as to any item, assign an amount that is higher than the highest amount or lower than the lowest amount requested by Seller or Purchaser, as applicable. The Independent Auditor shall deliver to Seller and Purchaser, as promptly as practicable (but in any case no later than twenty (20) days from the date of engagement of the Independent Auditor), a report setting forth such calculation. Such report shall be final and binding upon Seller and Purchaser. The Independent Auditor shall determine the allocation of the cost of its review and report based on the inverse of the percentage its determination (before such allocation) bears to the total amount of the total items in dispute as originally submitted to the Independent Auditor, as applicable. For example, should the items in dispute total in amount to \$1,000 and the Independent Auditor awards \$600 in favor of Seller’s position, 60% of the costs of its review would be borne by Purchaser and 40% of the costs would be borne by Seller.

(d) The Parties shall, and shall cause their respective Representatives to, cooperate and assist in the preparation of the Closing Statement and the calculation of the Closing New Inventory Amount and in the conduct of the review referred to in this Section 3.4, including making available, to the extent necessary, books, records, work papers and personnel.

Section 3.5 Post-Closing Adjustment Amount.

(a) If the Final New Inventory Amount exceeds the Estimated New Inventory Amount, then Purchaser shall pay to Seller, in the manner and with interest as provided in Section 3.5(d), the amount of such excess.

(b) If the Estimated New Inventory Amount exceeds the Final New Inventory Amount, then Seller shall pay to Purchaser, in the manner and with interest as provided in Section 3.5(d), the amount of such excess.

(c) For purposes of this Agreement, the following terms shall have the meanings specified below:

(i) “Final New Inventory Amount” means the Closing New Inventory Amount as reflected in the Final Determination; provided, however, that in no event shall

the Final New Inventory Amount be less than Purchaser's calculation of the Closing New Inventory Amount delivered pursuant to Section 3.4(a), or more than Seller's calculation of the Closing New Inventory Amount in its notice of disagreement delivered pursuant to Section 3.4(b); provided further that in no event shall the Final New Inventory Amount exceed the purchase price (net of shipping costs, insurance and taxes) paid by the Seller to Lentzy Investments or any of its Affiliates in cash for New Inventory less any New Inventory Cash Receipts.

(ii) "Final Determination" means, with respect to the Final New Inventory Amount, either of the following:

(A) Purchaser's calculation of Closing New Inventory Amount set forth in the Closing Statement delivered pursuant to Section 3.4(a) if no notice of disagreement with respect thereto is duly delivered pursuant to Section 3.4(b); or

(B) if such a notice of disagreement is delivered, (x) as agreed by Purchaser and Seller pursuant to Section 3.4(c) or (y) in the absence of such agreement, as shown in the Independent Auditor's report delivered pursuant to Section 3.4(c), as applicable.

(d) Any payment pursuant to Section 3.5(a) or 3.5(b) shall be made by Purchaser or Seller, as the case may be, by wire transfer of immediately available funds to the account of such other Party as may be designated in writing by such other Party within three (3) Business Days after the Final New Inventory Amount has been determined. The amount of any payment to be made pursuant to this Section 3.5 shall bear interest from and including the Closing Date to but excluding the date of payment at a rate per annum equal to the rate of interest published by The Wall Street Journal, Eastern Edition, from time to time as the "prime rate" at large U.S. money center banks during the period from the Closing Date to the date of payment. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated daily on the basis of a year of 365 days and the actual number of days elapsed.

Section 3.6 Allocation of Purchase Price. Not later than sixty (60) days after the Closing Date, Purchaser shall prepare and deliver to Seller a copy of Form 8594 and any required exhibits thereto (the "Asset Acquisition Statement") allocating the Total Consideration among the Transferred Assets. Seller shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as Purchaser may reasonably request to prepare such allocation. Seller shall have fifteen (15) days after receipt of the Asset Acquisition Statement to notify Purchaser in writing of any objections. If Seller does not object in writing during such fifteen (15) day period, the Asset Acquisition Statement shall be final and binding on all Parties. If Seller objects in writing during such fifteen (15) day period, Seller and Purchaser will use commercially reasonable efforts to resolve the disputed items. If the Parties are unable to reach an agreement within sixty (60) days of Seller's receipt of the Asset Acquisition Statement, any disputed items shall be referred to the Independent Accountant for resolution. The determination of the Independent Accountant shall be final and binding on the Parties (the "Final Allocation"), and the fees, costs and expenses of the Independent Accountant shall be split equally between Purchaser and Seller. Seller and Purchaser agree (i) to report the federal, state, and local income and other Tax consequences of the transactions contemplated herein, and

in particular to report the information required by Section 1060(b) of the Code on Form 8594 in a manner consistent with such allocation, and (ii) not to take any position inconsistent therewith upon examination of any Tax Return, in any refund claim, in any litigation, investigation, or otherwise, unless required by Applicable Laws or with the consent of the other Party.

ARTICLE IV

CLOSING AND TERMINATION

Section 4.1 Time and Place of Closing. The closing of the purchase and sale of the Transferred Assets and the assumption of the Assumed Liabilities provided for in Article II (the "Closing") shall take place at the offices of O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, New York, at 10:00 a.m. local time, on the second (2nd) Business Day after the conditions to Closing set forth in Article IX (excluding conditions that, by their terms, cannot be satisfied until the Closing) have been satisfied (or waived by the Party entitled to waive such condition), or at such other place, date and time as the Parties may agree ("Closing Date").

Section 4.2 Termination of Agreement. This Agreement may be terminated prior to the Closing Date as follows:

(a) At any time prior to the Closing Date by the joint written consent of Seller and Purchaser;

(b) By either Seller or Purchaser if the Closing has not occurred on or before January 15, 2010 (as may be extended by written agreement of the Parties, the "Outside Date"); provided, however, that the terminating Party is not in breach of its obligations hereunder in any material respect;

(c) By either Seller or Purchaser, if the Purchaser is not selected as the successful bidder in any auction related to the Transferred Assets or the Bankruptcy Court shall enter an Order approving a Competing Transaction;

(d) By either Seller or Purchaser, if there shall be any Applicable Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited (and such Law is not overturned or otherwise made inapplicable to the transactions contemplated hereby within a period of one hundred twenty (120) days) or if an Order is entered by a Governmental Authority of competent jurisdiction having valid enforcement authority permanently restraining, prohibiting or enjoining either Party from consummating the transactions contemplated hereby and such Order shall become final and non-appealable; provided, however, that the right to terminate this Agreement under this Section 4.2(d) shall not be available to a Party if such restraint, prohibition or injunction is primarily due to the failure of such Party to perform any of its obligations hereunder;

(e) By Purchaser, so long as Purchaser is not then in breach of its obligations hereunder in any material respect, upon a material breach of any covenant or agreement of Seller set forth herein, or if any representation or warranty of Seller shall have been or becomes untrue

in any material respect with respect to representations and warranties with no materiality qualifier, or in any respect for representations and warranties with materiality qualifiers, in each case such that the conditions set forth in Section 9.2(a) or Section 9.2(b), as the case may be, would not be satisfied and such breach or untruth cannot be cured by the Outside Date;

(f) By Seller, so long as Seller is not then in breach of its obligations under this Agreement in any material respect, upon a material breach of any covenant or agreement of Purchaser set forth in this Agreement, or if any representation or warranty of Purchaser shall have been or becomes untrue in any material respect with respect to representations and warranties with no materiality qualifier, or in any respect for representations and warranties with materiality qualifiers, in each case such that the conditions set forth in Section 9.3(b) or Section 9.3(c), as the case may be, would not be satisfied and such breach or untruth cannot be cured by the Outside Date;

(g) [Reserved];

(h) By Purchaser, if the Sale Order shall not have been entered by the Bankruptcy Court on or prior to January 11, 2010;

(i) By Purchaser, if the Bankruptcy Case shall have been dismissed or converted to a case under Chapter 7 of the Bankruptcy Code, or an interim or permanent trustee shall be appointed in the Bankruptcy Case, or a responsible officer or an examiner with powers beyond the duty to investigate and report (as set forth in Sections 1106(a)(3) and (4) of the Bankruptcy Code) shall be appointed in the Bankruptcy Case;

(j) by Purchaser, if Seller breaches Section 7.5 in any material respect; or

(k) by Seller, if Purchaser does not deposit the Escrow Amount with the Escrow Agent within two (2) Business Days following the execution of this Agreement in accordance with Section 3.2(a).

Section 4.3 Effect of Termination.

(a) In the event of termination of this Agreement by either party, except as otherwise provided in Section 3.2(b) and Section 4.3, all rights and obligations of the parties under this Agreement shall terminate without any liability of any party (or any of its Affiliates, directors, officers, representatives, employees, advisors or agents) to any other party; provided, however, that nothing herein shall relieve any party from liability for fraud or the intentional breach of this Agreement prior to such termination or abandonment of the transactions contemplated by this Agreement. The provisions of Sections 4.3, 7.7, 7.8 and Article XII of this Agreement shall expressly survive the expiration or termination of this Agreement.

(b) Notwithstanding Section 4.3(a), from and after the entry of the Bidding Procedures Order, if this Agreement is terminated pursuant to Sections 4.2(c), 4.2(e) or 4.2(i), then the Seller shall pay to the Purchaser the Expense Reimbursement as liquidated damages as Purchaser's sole and exclusive remedy against Seller and in full and complete satisfaction of all of the Seller's obligations hereunder (except as set forth in Section 4.3(a) and except for the

repayment of the Escrow Amount plus interest accrued thereon). If payable, the Expense Reimbursement shall be paid by wire transfer of immediately available funds promptly upon the receipt of a reasonably detailed invoice from the Purchaser attaching invoices or other evidence of such fee, cost or expense owed by Purchaser to third parties (but in any event within five (5) Business Days from the date of delivery of such invoice) without further Order of the Bankruptcy Court. The Expense Reimbursement will be granted an administrative expense status in the Bankruptcy Case pursuant to Sections 503(b) and 507(a) of the Bankruptcy Code.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser, as of the date hereof and as of the Closing Date, as follows:

Section 5.1 Organization and Good Standing. Seller is an entity duly organized, validly existing, in good standing and duly qualified to transact business under the laws of the jurisdiction in which it was formed, and is duly qualified or licensed to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, except where the failure to be so qualified would not have a Seller Material Adverse Effect, and, subject to the limitations imposed on Seller as a result of having filed a petition for relief under the Bankruptcy Code, or pursuant to any Order entered by the Bankruptcy Court, Seller has the requisite power and authority to own, lease and operate its properties and to carry on its business as now conducted.

Section 5.2 Authorization of Agreement. Subject to the entry of the Sale Order and such other authorization as is required by the Bankruptcy Court, Seller has the requisite power and authority to execute this Agreement and the Transaction Documents and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Transaction Documents by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Seller. This Agreement and the Transaction Documents have been duly executed and delivered by Seller and, assuming due execution and delivery by Purchaser and the entry of the Sale Order, constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

Section 5.3 No Subsidiaries. Seller has no Subsidiaries or interests in the share capital or equity in any other Person.

Section 5.4 No Violation; Consents.

(a) Other than any consents that have been obtained on or prior to Closing, and except as set forth on Schedule 5.4(a) and subject to receiving any consents or waivers referred to thereon or in Section 5.4(b), the execution and delivery by Seller of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby do not and will not (i) violate any provision of the constituent documents of Seller, (ii) subject to the entry of the Sale Order, conflict with, require the consent

of a third party under, violate, require or accelerate the time of any payment by Seller to any Person under, result in the breach of, constitute a default under, or give rise to any right of acceleration, cancellation or termination of any material right or obligation of Seller under, any material Contract or other instrument to which Seller is a party or by which Seller or any of its properties or assets are bound, (iii) subject to the entry of the Sale Order, violate any Order of any Governmental Authority to which Seller is bound or subject, (iv) subject to the entry of the Sale Order, violate any Applicable Law, or (v) except as provided for herein and for Permitted Liens, result in the imposition or creation of any Lien upon the Transferred Assets, other than, in the case of clauses (ii) through (iv), any conflict, violation, breach, default, requirement for consents, rights of acceleration, cancellation, termination or Lien that would not have a Seller Material Adverse Effect.

(b) Except for (i) the entry of the Sale Order and such other authorization as is required by the Bankruptcy Court and (ii) as set forth on Schedule 5.4(b), no Order or Permit issued by, or declaration or filing with, or notification to, or waiver or consent from any Governmental Authority is required on the part of Seller in connection with the execution and delivery of this Agreement, or the compliance or performance by Seller with any provision contained in this Agreement, except for any such requirements, the failure of which to be obtained or made would not have a Seller Material Adverse Effect.

Section 5.5 Financial Information. Seller has made available to Purchaser copies of (i) the unaudited balance sheet of the Seller as of October 31, 2009, (ii) the statements of cash flows and statements of profits and losses of Seller for the periods ended October 31, 2009 and October 31, 2009 and (iii) the statement of accounts receivables of the Seller as of November 25, 2009 (together, the "Financial Information"). The Financial Information has been prepared in accordance with the books and records of Seller as of the date indicated, and presents fairly in all material respects the consolidated financial position of Seller as of the dates indicated (except for the absence of footnotes) and may vary from formal audited reports prepared in accordance with GAAP requirements.

Section 5.6 Title to the Transferred Assets. Except as set forth on Schedule 5.6, Seller has good and marketable title to the Transferred Assets free and clear of all mortgages, pledges, liens, conditional sales agreements or other encumbrances of any kind or nature whatsoever, other than the Permitted Liens. The Transferred Assets comprise all of the physical assets being used by Seller in the Business as of the date of this Agreement.

Section 5.7 Title to Properties.

(a) Seller does not own any real property.

(b) Schedule 5.7(b) lists all leases, licenses, access agreements, subleases and other use agreements of real property to which Seller is a party relating to or used in connection with the Transferred Assets, the address of such real property, the expiration of each such lease, license, access agreement, sublease and other use agreement; such real property is referred to as the "Leased Real Property". Subject to the entry of the Sale Order and payment of any Cure Amounts and the entry of appropriate Orders of the Bankruptcy Court, each such lease, license, access agreement, sublease and other use agreement is in full force and effect and is enforceable

against the non-Seller counterparty thereto and Seller has a good and marketable interest in, and enjoys quiet and undisturbed possession of, the Leased Real Property, free and clear of all Liens, except Permitted Liens. True and correct copies of the leases, licenses, access agreements, subleases and other use agreements of the Leased Real Property and any and all ancillary documents pertaining thereto, including but not limited to, all amendments, extensions, side agreements and confirmation letters, and to which Seller is a party or is bound have been made available to Purchaser.

(c) Seller has good and marketable title to all personal property owned by it and used primarily in connection with the Transferred Assets (“Personal Property”), free and clear of all Liens, except for (a) Liens set forth on Schedule 5.7(c) and (b) Permitted Liens.

(d) Other than as set forth on Schedule 5.7(d), Seller has not received notice, either written or verbal or otherwise, under the lease by and between Seller and 717 GFC LLC (the “717 Fifth Landlord”) for the premises located at 717 Fifth Avenue, New York, New York (the “New York Retail Lease”) that the 717 Fifth Landlord intends to either (i) exercise the termination option under the New York Retail Lease, or (ii) exercise the Landlord’s Alternate Option (as such term is defined in the New York Retail Lease) requiring Seller to lease new premises located at 55th Street New York, New York and surrender the premises located at 717 Fifth Avenue, New York, New York.

Section 5.8 Intellectual Property.

(a) Except as set forth on Schedule 5.8, Seller does not have any interest in any material Intellectual Property Rights, Software or Technology related to the Business. All license agreements pursuant to which any third party grants the Seller rights in material third party Intellectual Property Rights related to the Business are listed or described on Schedule 1.1(c)(5)(i) and all the distribution and license agreements pursuant to which the Seller grants to any third party rights in any material Purchased Intellectual Property are listed or described on Schedule 1.1(c)(5)(ii).

(b) Except as set forth on Schedule 5.8, to Seller’s Knowledge: (i) the use of any Purchased Intellectual Property by Seller does not (and the use of any Purchased Intellectual Property by Purchaser will not) infringe the proprietary rights of any third party; and (ii) no third party is infringing or making unauthorized use of, or has in the past twelve (12) months infringed or made unauthorized use of any material Purchased Intellectual Property.

(c) Except as set forth on Schedule 5.8, all confidential know-how or trade secrets comprised in the Purchased Intellectual Property are adequately documented, have been kept secret and confidential and (except to Purchaser under this Agreement) have not been or agreed to be, disclosed to any Person except in the ordinary course of business under an obligation of confidentiality.

(d) At the date hereof, Seller has in its possession or under its control the source code of all Software falling within the scope of the Purchased Intellectual Property, and all such source code will, upon Closing, be in the exclusive possession or control of Purchaser.

Section 5.9 Material Contracts.

(a) Schedule 5.9(a) sets forth all the following Contracts currently in effect to which Seller is a party and that are primarily related to the Business or by which the Transferred Assets may be bound or affected (the “Material Contracts”):

(i) any Contract requiring a capital expenditure or known commitment in excess of \$50,000;

(ii) any Contract under which Seller is obligated to purchase, sell or lease real or personal property to or from third parties and having a value in excess of \$50,000 or an annual lease payment in excess of \$50,000;

(iii) any Contract with respect to the Leased Real Property;

(iv) any Contract under which Seller has (A) created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee) indebtedness for borrowed money, (B) granted a Lien on the Transferred Assets, whether tangible or intangible, to secure such indebtedness for borrowed money or (C) extended credit to any Person;

(v) any Contract between Seller, on the one hand, and one or more of Seller’s Affiliates, on the other hand;

(vi) any material Contract establishing any joint venture, strategic alliance or other collaboration;

(vii) all Contracts providing for material payments to or by any Person based on sales, purchase or profits other than direct payments for goods or services;

(viii) any Contract that restricts or limits (A) the ability of the Seller to freely engage in the Business in any geographic area or (B) the ability of Subsidiaries of the Seller to conduct any legal line of business in any geographic area;

(ix) any Contract relating to outstanding letters of credit or performance bonds or creating any liability as guarantor, surety, co-signer, endorser, co-maker or indemnitor, in each case in respect of the obligation of any Person to make payments or perform services with a value of at least \$50,000; and

(x) any amendment related to any of the foregoing.

(b) Except as set forth on Schedule 5.9(b), (i) all of the Material Contracts are in full force and effect and are the legal, valid and binding obligations of Seller and, to Seller’s Knowledge, any other party thereto, and (ii) Seller has performed all of its material obligations thereunder and is not in material violation or breach of or default under any Material Contract except for breaches or defaults that will be cured in accordance with the Sale Order (or that need not be cured under the Bankruptcy Code to permit the assumption and assignment of such Material Contract). To Seller’s Knowledge, the other parties to each Material Contract are not in

material violation or breach of or default under such Material Contract. Seller has made available to Purchaser and true and complete copy of each Material Contract.

Section 5.10 Litigation. Except (a) as set forth on Schedule 5.10, (b) for matters before the Bankruptcy Court involving Seller or its Affiliates, and (c) any matters that will otherwise be resolved by the Sale Order, there is no Action or Order pending or, to Seller's Knowledge, overtly threatened against Seller which, if adversely determined, would have a Seller Material Adverse Effect.

Section 5.11 Compliance with Laws; Permits; Licenses. Except as set forth on Schedule 5.11(a), and excluding any matters covered by Section 5.13 or that would not be expected to have a Seller Material Adverse Effect, Seller is in compliance with all Applicable Laws with respect to the Transferred Assets. Except as set forth on Schedule 5.11(a), Seller has all Permits from any Governmental Authority that are required to own, operate and use the Transferred Assets and engage in the Business, except for such Permits the absence of, or non-compliance with, would not have a Seller Material Adverse Effect. Schedule 5.11(b) lists all Permits that are material for the Seller's ownership and use of the Transferred Assets or that are material to Seller's operation of the Business, in each case as the Transferred Assets were used by Seller, or the Business was operated by Seller, prior to the commencement of the Bankruptcy Case.

Section 5.12 Taxes. Except as set forth on Schedule 5.12:

(a) all Tax Returns required to be filed by Seller, to the extent primarily related to the Transferred Assets, on or prior to the Closing Date have been timely filed and were correct and complete in all material respects and were prepared in substantial compliance with all Applicable Laws and all Taxes shown on such Tax Returns as owing have been timely paid or will be timely paid by Seller when required by Applicable Law. The Seller is not currently the beneficiary of any extension of time within which to file any Tax Return. To the Seller's Knowledge, no claim has ever been made by an authority in a jurisdiction where the Seller does not file any Tax Returns that the Seller is or may be subject to taxation by that jurisdiction;

(b) Seller has withheld or paid over to the proper Taxing Authority all Taxes related to the Transferred Assets that are required to be withheld or paid over with respect to any period or transaction ended on or prior to the Closing Date;

(c) there are no outstanding agreements extending or waiving the statutory period of limitation applicable to any claim for, or the period for the collection or assessment or reassessment of, Taxes with respect to Seller, to the extent primarily related to the Transferred Assets for any taxable period; and

(d) there are no Liens for Taxes upon the Transferred Assets, except for statutory liens for current taxes not yet due and payable.

Section 5.13 Environmental Matters. Except as set forth on Schedule 5.13 and except for facts, circumstances or conditions that would not have a Seller Material Adverse Effect:

(a) Seller has been and is in compliance with all applicable Environmental Laws with respect to the Transferred Assets, which compliance includes the possession and maintenance of, and compliance with, Permits required under applicable Environmental Laws;

(b) there is no Action or Order pending or, to Seller's Knowledge, overtly threatened against Seller respecting Environmental Laws and related to the Transferred Assets; and

(c) there are no conditions or circumstances, including without limitation the Release or presence of, or exposure to, any Hazardous Material, that could reasonably be expected to result in liabilities or obligations to the Seller, with respect to the Transferred Assets, pursuant to Environmental Laws.

Section 5.14 Insurance. Set forth on Schedule 5.14 is a list of all material policies of insurance by which the Transferred Assets are covered as of the date hereof. Except as set forth on Schedule 5.14, to Seller's Knowledge, all such policies are in full force and effect and, there are no claims pending as of the date hereof under any of such policies where underwriters have reserved their rights or disclaimed coverage under such policy.

Section 5.15 Financial Advisors. Except as set forth on Schedule 5.15, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for Seller in connection with the transactions contemplated by this Agreement and Purchaser is not or will not become obligated to pay any fee or commission or like payment to any broker, finder or financial advisor as a result of the consummation of the transactions contemplated by this Agreement based upon any arrangement made by or on behalf of Seller or any of its Affiliates.

Section 5.16 Employment Arrangements.

(a) Schedule 5.16(a) is a correct and complete list of each Employee Benefit Plan, which list shall include each Employee Benefit Plan that is an employment agreement with an Employee and any agreement providing for severance benefits to an Employee that deviate in any material respect from the Seller's standard form severance benefit. Seller has made available to Purchaser a true and complete copy of the plan document or summary plan description of each Employee Benefit Plan, or, if such plan document or summaries plan description does not exist, an accurate written summary of such Employee Benefit Plan.

(b) Schedule 5.16(b) sets forth a true, correct and complete list of all Employees, together with (i) service date, (ii) position, (iii) annual base salary for the 2008 and 2009 fiscal years and (iv) bonuses paid in respect of the 2008 fiscal year and (v) their bonus opportunities in respect of the 2009 fiscal year.

(c) No Employee Benefit Plan provides, or has any liability to provide, life insurance, medical or other employee welfare benefits to any Employee upon his or her retirement or termination of employment for any reason, except as may be required by statute, and, to Seller's Knowledge, neither Seller nor any of its ERISA Affiliates has ever represented, promised or contracted (whether in oral or written form) to any Employee (either individually or to Employees as a group) that such Employee(s) would be provided with life insurance, medical or

other employee welfare benefits upon their retirement or termination of employment, except to the extent required by statute.

(d) Each of the Employee Benefit Plans is in compliance with, and has been administered in all respects in accordance with, the terms of such Employee Benefit Plan and all requirements of ERISA, the Code and other applicable Law, except for any failure in compliance which would not have a Seller Material Adverse Effect. Each Employee Benefit Plan intended to be qualified under Code Section 401(a) or 401(k) has received a favorable determination letter from the IRS that it is so qualified and, to the Knowledge of Seller, no fact or event has occurred since the date of such determination letter from the IRS or shall be expected to occur in connection with the consummation of the transactions contemplated hereby which could reasonably be expected to adversely affect the qualified status of such Employee Benefit Plan.

(e) Except as set forth in Schedule 5.16(e) and except for facts, circumstances or conditions that would not have a Seller Material Adverse Effect: (i) none of the Employees is represented by any labor union, works council or other labor organization with respect to such Employee's employment by Seller; (ii) there is not currently, and has not been for a period of twenty-four (24) consecutive months prior to the date hereof, been, or, to Seller's Knowledge has been threatened, any labor strike or grievance under a Collective Labor Agreement, slowdown, lockout, picketing or work stoppage s against or affecting Seller; (iii) there are not any pending or, to Seller's Knowledge, threatened, material charges against Seller or any of its current or former Employees before any Governmental Authority responsible for the prevention of unlawful employment practices; (iv) neither the Seller nor any of its Affiliates has received written communication during the past twelve months of the intent of any Governmental Authority responsible for the enforcement of labor or employment laws to conduct a material investigation of or affecting Seller in respect of any Employee and, to Seller's Knowledge, no such investigation is in progress and (v) Seller is in material compliance with all laws respecting employment, employment practices, terms and conditions of employment, worker classification, tax withholding, prohibited discrimination, equal employment, fair employment practices, meal and rest periods, immigration status, employee safety and health, wages (including overtime wages), compensation, and hours of work with respect to the Employees.

(f) Neither Seller nor any ERISA Affiliate has during the six-year period prior to the date hereof ever maintained, established, sponsored, participated in, contributed to, or had any obligation to, any (A) plan which is subject to Section 302 or Title IV of ERISA or Section 412 of the Code, (B) multiple employer plan or to any plan described in Section 413 of the Code, or (C) any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA.

Section 5.17 Books, Records and Accounts. All non-financial accounts, books, ledgers and official and other records of whatsoever kind material to Seller's business have been properly and accurately kept and completed in all material respects. There are no material inaccuracies or discrepancies of any kind contained or reflected therein.

Section 5.18 Receivables. The accounts and notes receivable of the Seller: (i) arose from *bona fide* sales transactions on an arm's-length basis in the ordinary course of business of the Company consistent with past practice and are payable on ordinary trade terms; (ii) to the Seller's Knowledge, are valid and binding obligations of the respective debtors enforceable in

accordance with their terms; (iii) do not represent obligations for goods sold on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return arrangement; (iv) to the Seller's Knowledge, will be collected with no obligation to repay or reimburse, in the ordinary course of business consistent with past practice in the aggregate recorded amounts thereof, net of any applicable reserve reflected in the Financial Information; and (v) to the Seller's Knowledge, are not subject to any valid set-off or counterclaim. The adequacy of any reserves with respect to accounts or notes receivable of the Seller reflected in the Financial Information have been reviewed and established in good faith by the Seller within the three-month period preceding the date hereof. The Seller has good title to its accounts receivable free and clear of all Liens other than Permitted Liens. For the avoidance of doubt, Purchaser acknowledges that certain Contracts of Seller that have been disclosed to Purchaser provide for periodic offset of receivables from certain wholesale customers of Seller for obligations that may be owed by Seller to such wholesale customers, and agrees that the foregoing representation is qualified in its entirety by the provisions of such Contracts.

Section 5.19 Inventory.

(a) The Seller has good title to the Inventory free and clear of all Liens other than Permitted Liens. The Seller is not under any obligation or liability with respect to accepting returns of items of Inventory or merchandise in the possession of its customers other than in the ordinary course of business consistent with past practices. To the Seller's Knowledge, the Seller has not acquired nor committed to acquire Inventory for sale which is not of a quality and quantity usable in the ordinary course of business consistent with past practices.

(b) To the Seller's Knowledge, the Inventory is in good and merchantable condition in all material respects, suitable and usable for the purposes for which it is intended and in a condition such that it can be sold in the ordinary course of business consistent with past practices.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

Section 6.1 Organization and Good Standing. Purchaser is a limited liability company, duly organized, validly existing and in good standing in its jurisdiction of organization.

Section 6.2 Authorization of Agreement. Purchaser has the requisite power and authority to execute this Agreement and the other Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Documents to which Purchaser is a party and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Purchaser. This Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by

Purchaser and constitute legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms.

Section 6.3 No Violation; Consents.

(a) The execution and delivery by Purchaser of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby do not and will not (i) violate any provision of the constituent documents of Purchaser, (ii) conflict with, require the consent of a third party under, violate, result in the breach of, constitute a default under, or give rise to any right of acceleration, cancellation or termination of any material right or obligation of Purchaser under any material agreement or other instrument to which Purchaser is a party or by which Purchaser or any of its properties or assets are bound, (iii) violate any Order of any Governmental Authority to which Purchaser is bound or subject, or (iv) violate any Applicable Law, other than, in the case of clauses (ii) through (iv), any conflict, violation, breach, default, requirement for consents, rights of acceleration, cancellation, termination or Lien that would not have a Purchaser Material Adverse Effect.

(b) Except as set forth on Schedule 6.3(b), no Order or Permit issued by, or declaration or filing with, or notification to, or waiver or consent from, any Governmental Authority is required on the part of Purchaser in connection with the execution and delivery of this Agreement, or the compliance or performance by Purchaser with any of the provisions contained in this Agreement.

Section 6.4 Litigation. There is no Action or Order pending or, to Purchaser's Knowledge, overtly threatened against Purchaser or any of its Affiliates that would have a Purchaser Material Adverse Effect.

Section 6.5 Financial Capability. Purchaser will have on the Closing Date sufficient cash and cash equivalents and/or existing credit facilities with sufficient borrowing capacity thereunder (and has provided Seller with satisfactory evidence thereof) to purchase the Transferred Assets and to consummate the transactions contemplated by this Agreement, including the payment of all fees and expenses contemplated hereunder.

Section 6.6 Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending against, being contemplated by, or to the Purchaser's Knowledge, threatened against Purchaser.

Section 6.7 Financial Advisors. Except as set forth on Schedule 6.7, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for Purchaser in connection with the transactions contemplated hereunder and no Person is entitled to any fee or commission or like payment in respect thereof. Seller is not and will not become obligated to pay any fees, commissions or like payments to any of the Persons listed on Schedule 6.7.

Section 6.8 Avoidance Actions. Purchaser acknowledges and agrees that the inclusion of the Avoidance Actions in the Transferred Assets is subject to Purchaser's commitment to

refrain from pursuing any such Avoidance Actions and understands that Seller has agreed to transfer the Avoidance Actions in reliance on such commitment.

ARTICLE VII

COVENANTS

Section 7.1 Access to Information. Prior to the Closing, Seller shall permit Purchaser and its Representatives to have reasonable access, during normal business hours and upon reasonable advance written notice, to the properties, books, records and personnel of Seller related to the Transferred Assets including, but not limited to, previous sales transaction history, operating budgets, operating expenses for each Leased Real Property, business plans and human resources records for all Employees; provided that in no event shall Seller be obligated to provide (i) access or information in violation of Applicable Law, or (ii) any information, the disclosure of which would jeopardize any privilege available to Seller or any of its Affiliates relating to such information or would cause Seller or any of its Affiliates to breach a confidentiality obligation to which it is bound.

Section 7.2 Conduct of Business Pending the Closing.

(a) Except as otherwise expressly contemplated by this Agreement and the Schedules attached hereto, required by Applicable Law or with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), during the period from the date hereof to and through the Closing Date, Seller shall (subject to receipt of the Sale Order) use commercially reasonable efforts to preserve in all material respects the Transferred Assets.

(b) During the period from the date hereof to and through the Closing Date, except (x) as otherwise expressly contemplated by this Agreement and the Schedules attached hereto, (y) as required by Applicable Law or (z) with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), Seller shall not:

(i) subject to paragraph (xv) below, sell, transfer or otherwise dispose of, or create any encumbrances on, any Transferred Asset (other than inventory or de minimis assets), except in the ordinary course of the Business;

(ii) enter into any merger or consolidation with any Person;

(iii) adopt a plan or agreement of complete or partial liquidation or dissolution;

(iv) issue or sell any shares of capital stock, limited liability company membership interests or other equity ownership interests, of Seller or any of its controlled Affiliates, or grant options, warrants or other rights to purchase any shares of capital stock, limited liability company membership interests or other equity ownership interests of Seller or any of its controlled Affiliates;

- (v) pass any resolution on the change of the articles of association or bylaws or similar corporate documents of Seller;
- (vi) make any acquisition (including by merger) of the capital stock, or a division or (except in the ordinary course of business) other material portion of the assets, of any other Person;
- (vii) declare or pay dividend or other cash distribution to an Affiliate;
- (viii) pay any management fees, consulting fees, monitoring fees, service fees, director's fees or professional advisor's fees, except as permitted by the Bankruptcy Court or in the ordinary course of business consistent with past practice;
- (ix) commence, settle or compromise any litigation or arbitration proceedings related to the Business in respect of any claim in excess of \$50,000;
- (x) enter into any material amendment, variation or waiver, or any termination (including, without limitation, a rejection pursuant to Section 365 of the Bankruptcy Code) of, any executory contract or unexpired lease expected to be assigned to Purchaser at Closing, including, without limitation, any Leased Real Property;
- (xi) fail to make payments due in the ordinary course (other than amounts due as of August 14, 2009) under any executory contract or unexpired lease expected to be assigned to Purchaser at Closing, including, without limitation, any Leased Real Property;
- (xii) increase the compensation payable or the benefits provided to any Employee or adopt, modify, or amend any Employee Benefit Plan, other than as required by the terms of any Contracts or Employee Benefit Plans or arrangements in effect as of the date hereof;
- (xiii) enter into any employment agreement not terminable at will;
- (xiv) enter into any agreement with any of its Affiliates;
- (xv) transfer ownership or grant any license or other rights to any Person, of or in respect of any Purchased Intellectual Property;
- (xvi) transfer any license to use any Intellectual Property Rights, Software or Technology;
- (xvii) fail to make any filing, pay any fee, or take any other action necessary to maintain the ownership, validity and enforceability of any Purchased Intellectual Property;
- (xviii) make any change in accounting methods, principles or practices except as required by GAAP; or

(xix) agree to do anything prohibited by this Section 7.2.

Section 7.3 Appropriate Action; Filings. Through the Closing Date, Seller and Purchaser shall cooperate with each other and use (and shall cause their respective Affiliates to use) commercially reasonable efforts (subject, in the case of Seller, to receipt of the Sale Order) (i) to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary, proper or advisable on its part under this Agreement, Applicable Law or otherwise to consummate and make effective the transactions contemplated hereby, (ii) to obtain promptly from any Governmental Authority any Orders or Permits required to be obtained by Seller or Purchaser or any of their respective Affiliates in connection with the authorization, execution, delivery and performance of this Agreement, the consummation of the transactions contemplated hereby and the use of the Transferred Assets, (iii) to promptly make all necessary filings and thereafter make any other required submissions with respect to this Agreement and prompt consummation of the transactions contemplated hereby required under any Applicable Law, and (iv) to provide prompt notification to the other Party of any actions pursuant to clauses (i) – (iii) of this Section 7.3(a); provided, however, that Seller shall not be obligated to pay any consideration or incur any costs to obtain any approvals or consents from third parties, whether or not they may be necessary, proper or advisable to consummate the transactions contemplated hereby. Seller shall have no liability to Purchaser in the event Seller is unable to obtain any approvals or consents. Seller and Purchaser agree to take all actions reasonably necessary to facilitate the transfer of the operation of the business represented by the Transferred Assets to the Seller in an orderly manner.

Section 7.4 Bankruptcy Matters.

(a) As soon as reasonably practicable after execution of this Agreement, but in any event no later than two (2) Business Days thereafter, the Seller shall file the Approval Motion, together with appropriate supporting declarations, pleadings and notices, each in form and substance reasonably satisfactory to the Purchaser.

(b) Seller shall use its commercially reasonable efforts (and Seller and Purchaser shall cooperate, assist and consult with each other in connection with such efforts) to (i) obtain entry of the Sale Order no later than December 31, 2009 and (ii) serve notice of the (x) Approval Motion, including a schedule of Cure Amounts, and (y) proposed Sale Order on all Persons entitled to notice under the Bankruptcy Code, Bankruptcy Rules and/or as reasonably requested by the Purchaser.

(c) Purchaser agrees that it will use such commercially reasonable efforts as reasonably requested by Seller, to assist in obtaining entry of the Sale Order, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court in connection with providing necessary assurances of performance by Purchaser under this Agreement and under any Assumed Contracts and demonstrating that Purchaser is a “good faith” purchaser under section 363(m) of the Bankruptcy Code.

(d) [Reserved.]

(e) From and after the date of this Agreement, neither Seller nor Purchaser shall take any action that is intended to result in, or fail to take any action the intent of which failure to act would result in, the reversal, voiding, modification or staying of the Approval Motion or the Sale Order.

(f) Seller shall provide Purchaser with reasonable advance notice and opportunity to review any motion, pleading, proposed order, press release, public statement or other document that relates or refers to this Agreement, the Transferred Assets, the Assumed Contracts or the Purchaser prior to making any such filing, release or disclosure to the extent practicable. Seller shall consider Purchaser's comments to such documents in good faith.

(g) In the event any Orders of the Bankruptcy Court relating to this Agreement shall be appealed by any Person (or a petition for certiorari or motion for reconsideration, amendment, clarification, modification, vacation, stay, rehearing or reargument shall be filed with respect to any such Order), Seller shall (i) promptly notify the Purchaser of such appeal or stay request, (ii) promptly provide the Purchaser a copy of the related notice of appeal or Order of stay, (iii) promptly provide the Purchaser with written notice of any motion or application filed in connection with any appeal from such Orders and (iv) subject to Section 4.2(b), Seller shall (and Purchaser will cooperate in taking such steps) diligently defend against such appeal, petition, stay or motion. Seller and Purchaser shall use their commercially reasonable efforts to obtain an expedited resolution of any such appeal, petition or motion.

Section 7.5 No Solicitation.

(a) Subject to any Order of the Bankruptcy Court directing otherwise, from the date hereof, neither the Seller nor any controlled Affiliate of Seller shall, directly or indirectly, through any officer, director, employee, agent, professional, advisor or other Representative (i) solicit, initiate or knowingly encourage any proposal or offer from any Person (other than Purchaser) relating to any Competing Transaction, (ii) furnish any information with respect to, or assist or participate in, or facilitate in any other manner, any effort or attempt by any Person to do or seek the foregoing or (iii) seek or support Bankruptcy Court approval of a motion or Order inconsistent in any way with the transactions contemplated herein. Notwithstanding the foregoing, nothing contained herein shall prohibit Seller and any of its Representatives from providing information to any Person in response to unsolicited inquiries regarding a potential Competing Transaction. Notwithstanding anything to the contrary in this Agreement, the Seller may, directly or indirectly through its Representatives engage or participate in discussions with any Person that has made a bona fide, unsolicited proposal or inquiry in writing relating to any Competing Transaction other than as a result of a breach or violation of the terms of this Section 7.5, and/or furnish to any such Person any information relating to the Seller and its Business, provided that prior thereto the Seller has complied with the following: (x) the Seller shall have entered into a confidentiality agreement with such Person, the terms of which are no less favorable to the Seller than those contained in the Confidentiality Agreement and (y) Seller shall contemporaneously provide Purchaser with information provided to any such Person not previously provided to Purchaser and shall within twenty-four (24) hours if its receipt thereof, notify Purchaser of and provide Purchaser with a copy of such Person's proposal, including the identity of such Person.

(b) In the event the Bankruptcy Court orders the commencement of an auction, following the date of the entry of such Order (“Solicitation Period”), the Seller is permitted to cause its Representatives and Affiliates to initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, any Person (in addition to Purchaser and its Affiliates, agents and Representatives) in connection with any Competing Transaction. During such Solicitation Period, the Seller may respond to any inquiries or offers to purchase all or any part of the Business and perform any and all other acts related thereto which are required under the Bankruptcy Code or other Applicable Law, including, without limitation, supplying information relating to the Business to prospective buyers. The Seller shall contemporaneously provide Purchaser with any information provided to any prospective purchasers not previously provided to Purchaser. The Seller shall, within twenty-four (24) hours of its receipt thereof, notify Purchaser of and provide Purchaser with a copy of any proposal received by the Seller with respect to any Competing Transaction, including disclosing to Purchaser the identity of the party making such proposal.

Section 7.6 Preservation of Records; Cooperation. Purchaser shall (and shall cause its Affiliates to) preserve and keep in its possession all books, records, contracts and other documents held by it relating to the Transferred Assets prior to the Closing Date for a period of three (3) years or such longer period as may be required by Applicable Law. Each Party shall make all information, books, records, contracts and other documents held by it relating to the Business or the Transferred Assets prior to the Closing Date and any employees with knowledge thereof available to the other Party, at the requesting Party’s sole cost and expense and shall permit such requesting Party to make copies thereof, as may reasonably be required and upon reasonable advance notice; provided, however, that in no event shall either Party be obligated to provide any information the disclosure of which would jeopardize any privilege available to such Party or any of its Affiliates relating to such information or which would cause such Party or any of its Affiliates to breach a confidentiality obligation to which it is bound.

Section 7.7 Confidentiality. The Parties acknowledge that LK Advisers Limited and Seller previously executed a confidentiality agreement dated November 19, 2009 (the “Confidentiality Agreement”), which Confidentiality Agreement shall terminate upon the earlier of (i) the expiration of the term set forth in the Confidentiality Agreement and (ii) the Closing Date. The Parties acknowledge and understand that the Schedules and the content of the communications among the Seller, Purchaser and their respective advisors pursuant to this Agreement and the transactions contemplated hereby are confidential and may not be disclosed to third parties, including without limitation creditors and prospective bidders. Notwithstanding the foregoing, this Section 7.7 shall not in any way limit (i) the disclosure of this Agreement (without the Schedules designated by Purchaser) by Seller in connection with the Approval Motion or the administration of the Bankruptcy Case, or (ii) any other action or disclosure required by Applicable Law.

Section 7.8 Public Announcements. Each of Seller and Purchaser agree that prior to the Closing Date, except as contemplated by Sections 7.5 and 7.7, neither Party, nor any of such Party’s respective Affiliates, or any of their Representatives, shall issue any press release or public statement concerning this Agreement or the transactions contemplated hereby without obtaining the prior written approval of the other Party (which consent shall not be unreasonably withheld or delayed), unless such disclosure is required by Applicable Law, Order or obligations

pursuant to any agreement with any national securities exchange or with respect to filings to be made with the Bankruptcy Court in connection with the Bankruptcy Case; provided, that the Party intending to make such release shall give the other Party prior written notice and shall use its commercially reasonable efforts consistent with such Applicable Law, Order or obligation to consult with the other Party with respect to the text thereof. Notwithstanding the prior sentence, Purchaser agrees and acknowledges that Seller may file this Agreement (without the Schedules designated by Purchaser) with the Bankruptcy Court promptly after the date hereof.

Section 7.9 Further Assurances.

(a) Seller and Purchaser agree that from and after the Closing Date, each of them shall execute and deliver (notarized, where appropriate) such further instruments of conveyance and transfer (including, in the case of Seller, if applicable, short form copyright, trademark or patents assignments in a form reasonably acceptable to Purchaser, which shall be suitable for recording with the applicable Governmental Authority(ies) in the applicable jurisdiction(s) throughout the world) and take such other action as may reasonably be requested by any Party to carry out the purposes and intents hereof, at the expense of the requesting Party.

(b) From and after the Closing Date, Seller constitutes and appoints Purchaser as true and lawful agent and attorney-in-fact of Seller with full power of substitution in whole or in part in the name and stead of Seller but on behalf and for the benefit of Purchaser to execute in the name of Seller any and all documents that may be deemed proper to effect the assignments and transfer contemplated in this Agreement.

(c) Seller shall, at the sole cost and expense of Purchaser, assist Purchaser in any applications to register any unregistered Purchased Intellectual Property and any registrations pending at Closing in relation to the registered Purchased Intellectual Property and to establish, confirm or defend the title of Purchaser to the Purchased Intellectual Property.

(d) Before and after the Closing, Seller shall inform Purchaser of any claims made by creditors for Liabilities arising out of accounts payable in respect of periods prior to the Closing Date.

Section 7.10 Use of Trademarks; Corporate Name. Seller shall, as soon as practicable, and in any event within thirty (30) days, after Closing, (i) cease in all respects to use or display any trade or service marks or names, domain names or logos falling within the scope of the Purchased Intellectual Property, including the “ESCADA” and “ESCADA SPORT” names and (ii) change its corporate name or registered corporate name so that it does not contain the words “ESCADA” or “ESCADA SPORT” or any derivative or combination thereof; provided that a lessor’s refusal or inability to remove signage reflecting the “ESCADA” or “ESCADA SPORT” name on any leased property of Seller following Seller’s requests for such removal shall not constitute a breach hereof. Notwithstanding the foregoing, Seller agrees that the Sale Motion shall include a request that Seller be authorized and directed to change its name to not contain the word “ESCADA” or any derivative or combination thereof and to change the caption of the Bankruptcy Case to refer to Seller’s new name without reference to the word “ESCADA” or any derivative or combination thereof; provided that any historical or similar reference to

“ESCADA” or “ESCADA SPORT” or any derivative or combination thereof in connection with the administration of the Bankruptcy Case shall not constitute a violation of this Section 7.10.

Section 7.11 Third Party Consents. With respect to any approval or consent required to be obtained in connection with the consummation of the transactions contemplated hereunder, as soon as practicable after execution of this Agreement, (i) Seller shall use commercially reasonable efforts to obtain any third party consents to the transactions contemplated herein, and (ii) Purchaser shall reasonably cooperate with Seller’s efforts to obtain such approvals. Seller shall not be obligated to pay any consideration or incur any costs to obtain any consents from third parties. Seller shall have no liability to Purchaser in the event Seller is unable to obtain any approvals or consents.

Section 7.12 Tax Matters.

(a) All ad valorem (or similar) property Taxes (whether assessed or unassessed) that are levied with respect to the Transferred Assets for taxable periods or portions thereof within which the Closing Date occurs shall be apportioned between Seller and Purchaser as of the Closing Date, based on the number of days in any such period falling on or before the Closing Date, on the one hand, and after the Closing Date, on the other hand. Any Taxes related to the Transferred Assets that are based upon or related to net income or receipts, shall be apportioned between the Seller and the Purchaser as of the Closing Date, assuming that the relevant Taxable Period ended on the Closing Date.

(b) Seller shall be responsible for filing all Tax Returns relating to the Transferred Assets for taxable periods ending on or before the Closing Date. Such Tax Returns shall be true, correct and complete in all material respects; and all Taxes indicated as due and payable on such Tax Returns shall be paid by Seller as and when required by law.

(c) Purchaser shall be responsible for filing all Tax Returns relating to the Transferred Assets for taxable periods beginning after the Closing Date; it being understood that all Taxes indicated as due and payable on such returns shall be the responsibility of Purchaser, except for such Taxes, which constitute Excluded Liabilities and are the responsibility of Seller. Any Taxes on such Tax Returns that constitute Excluded Liabilities shall be paid by Seller to Purchaser within five (5) days of written request by Purchaser.

(d) If permitted by a Taxing Authority, Purchaser and Seller shall file separate Tax Returns and separately pay their respective Taxes for their respective portions of any taxable period including the Closing Date (a “Straddle Period”), provided however that any such Tax Returns relating to a Straddle Period shall not be filed without the other party’s prior review and comment and shall be prepared on a basis consistent with past practice to the extent permitted by Applicable Law. If separate Tax Returns with respect to a Straddle Period are not permitted, Purchaser shall prepare and file or cause to be prepared and filed the applicable Tax Return relating to such Straddle Period. Any Taxes on such Tax Returns that constitute Excluded Liabilities or do not constitute Assumed Liabilities shall be paid by Seller to Purchaser within five (5) days of written request by Purchaser.

(e) Each of Purchaser, on the one hand, and Seller, on the other hand, shall be liable for fifty percent (50%) of all sales, transfer, filing, recordation, registration, documentary, stamp, and similar Taxes and fees (collectively, “Transfer Taxes”) arising from or associated with the transactions contemplated hereunder, whether levied on Purchaser or Seller. Seller and Purchaser shall cooperate and consult with each other prior to filing any Tax Returns in respect of Transfer Taxes and shall cooperate and otherwise take commercially reasonable efforts to obtain any exemptions for or refunds of Transfer Taxes.

(f) Seller and Purchaser agree to furnish or cause to be furnished to each other, and each at their own expense, as promptly as practicable, such information (including access to books and records) and assistance, including making employees available on a mutually convenient basis to provide additional information and explanations of any material as is reasonably necessary for the filing of any Tax Returns, for the preparation of an audit, and for the prosecution or defense of any claim, suit, or proceeding relating to any adjustment or proposed adjustment with respect to Taxes attributable to the Transferred Assets.

Section 7.13 Replacement Letters of Credit. To the extent that the leases related thereto are Assumed Contracts, prior to or concurrently with the Closing Date, Purchaser shall have entered into arrangements with each of the issuing banks for the letters of credit, performance bonds, guarantees, and similar assurances set forth on Schedule 7.13 (the “Existing Letters of Credit”), pursuant to which the Existing Letters of Credit will have been (a) cash collateralized or (b) backstopped with back-to-back letters of credit, in each case in a manner (x) satisfactory to the Seller and each respective issuing bank and (y) such that the Seller and its Affiliates shall have been released in all respects from any and all obligations in respect of the Existing Letters of Credit.

Section 7.14 Waiver of Compliance with Bulk Sales Law. The Purchaser hereby waives compliance by the Seller with the provisions of any applicable bulk sales law of any jurisdiction.

Section 7.15 Acknowledgment of Seller Privacy Policy. The Purchaser agrees to become the Seller’s successor-in-interest as to the customer information and to abide by (and to cause its Representatives and Affiliates to abide by) the privacy policy of the Seller.

Section 7.16 New Inventory. To the extent Seller purchases Inventory for cash that is ordered from Lentzy Investments or any of its Affiliates during the period commencing on the date of this Agreement and ending at 11:59 p.m. on the day immediately preceding the Closing Date (“New Inventory”), Seller shall maintain and store any such New Inventory in the Seller’s warehouses and storage facilities until the Closing Date except as provided in this Section 7.16. Seller may deliver any such New Inventory to the Seller’s wholesale costumers in the United States (the “Wholesale Customers”) pursuant to purchase orders received from such Wholesale Customers that are subject to terms and conditions consistent with past practices between the parties; provided however that such purchase orders shall provide for payment dates for the accounts receivables generated by such purchase orders that are not before the earlier of (a) the first day after the Closing Date and (b) the termination of this Agreement pursuant to Section 4.2. In the event that, notwithstanding the provisions of the immediately preceding sentence, payments are made pursuant to such accounts receivables before the earlier of the dates specified

in such provisions, any cash received in respect of such payments shall constitute a Transferred Asset and shall be deemed the “New Inventory Cash Receipts”. In the event of a termination of this Agreement (other than: (i) a termination by Seller pursuant to Section 4.2(b) and (ii) a termination pursuant to Sections 4.2(c), 4.2(e), 4.2(i) or 4.2(j)), Seller shall have the right to return any New Inventory to Lentzy Investments in accordance with the terms of the purchase order applicable to such New Inventory and shall be reimbursed the full amount paid by Seller therefor, in cash.

Section 7.17 Transition and Delivery of Assets; Transition for Leases Not Assumed.

(a) If, as of the Closing, any Transferred Assets are physically located on Leased Real Property that is not the subject of an Assumed Contract (any such location, a “Tender Premises”), the Seller shall tender any such Transferred Assets to the Purchaser at the applicable Tender Premises for removal by Purchaser (at Purchaser’s sole cost and expense). To the extent any alternative arrangements are agreed to by Seller, Purchaser and the applicable lessor, whether to provide for an extension of time for removal of the Transferred Assets from the Tender Premises or otherwise, any and all costs and expenses associated therewith shall be borne by the Purchaser. Purchaser shall indemnify and hold harmless Seller for any claims arising out of or related to any damages to the Tender Premises caused by Purchaser or any agent of Purchaser in connection with the removal of the Transferred Assets.

(b) If Purchaser elects to amend Schedule 1.1(c)(2) pursuant to Section 2.1(e) in order to remove any Contract with respect to a Leased Real Property (a “Non-Assumed Lease”), Purchaser may request that Seller not file any motion or otherwise seek an Order of the Bankruptcy Court that would provide for rejection of such Non-Assumed Lease prior to a date designated by Purchaser (the “Transition Date”), which date shall be no later than March 15, 2010. Upon receiving any such request, Seller shall not file any motions or otherwise seek any Orders of the Bankruptcy Court that would provide for rejection of such Non-Assumed Lease prior to the Transition Date. Purchaser shall pay the out-of-pocket costs and expenses related to the applicable Non-Assumed Lease (including, without limitation, rent and expenses related to such Leased Real Property) from the period commencing on the Closing Date and ending on the Transition Date (the “Transition Period”). Purchaser shall indemnify and hold harmless Seller for any Liabilities arising from the applicable Non-Assumed Lease during the Transition Period.

Section 7.18 Avoidance Actions. Purchaser shall not pursue any Avoidance Actions that are included as part of the Transferred Assets.

ARTICLE VIII

EMPLOYEE AND EMPLOYEE BENEFITS MATTERS

Section 8.1 Employment Matters.

(a) Prior to the Closing, (i) Purchaser (or its successors or assigns) shall make written offers of employment, effective as of the Closing, to a number of Employees that is at least equal

to 80% of the number of Employees listed on Schedule 5.16(b) (each an “Offered Employee”). All offers shall be at initial wages and benefits that are substantially comparable in the aggregate (excluding equity compensation and, with respect to any Employee with a separate or individually negotiated arrangement, severance benefits) to the aggregate benefits in effect for such Offered Employee immediately prior to Closing (excluding equity compensation and severance benefits, if applicable). An Offered Employee who accepts an offer will become an employee of Purchaser on the day such person reports to work for the Purchaser if such person reports to work for Purchaser as provided in the offer of employment (each a “Hired Employee”). Purchaser will not provide, nor be responsible for, any COBRA benefits to any employee of Seller except to Hired Employees who have a qualifying event after the Closing.

(b) At or as soon as practicable following the Closing, Purchaser shall make available or establish employee benefit plans for the Hired Employees and their eligible dependents (the “Purchaser Plans”). If applicable, the Purchaser shall recognize the service date of each Hired Employee under each Purchaser Plan, to the same extent as that service credit would be given under the analogous Employee Benefit Plan, for purposes of eligibility to participate, vesting, vacation entitlement and severance benefits, but not for purposes of benefit accrual under any Purchaser Plan, including, for purposes of clarification, prior accrued vacation benefits. In addition, subject to any required approval of the applicable insurance provider, the Purchaser shall (i) waive any eligibility periods, evidence of insurability or pre-existing condition limitations and (ii) honor any deductibles, co-payments, co-insurance or out-of-pocket expenses paid or incurred by such employees, including with respect to their dependants, under comparable Employee Benefit Plans during the plan year in which the Closing occurs. Seller shall provide Purchaser with such information as to the Hired Employees as Purchaser may reasonably request to carry out its obligations under this Section 7.2(b), to the extent that such information has not been provided previously to Purchaser. Purchaser shall pay out prior accrued vacation benefits to all Employees at such time as required by Applicable Law.

(c) Effective at Closing, the Seller will cause each Hired Employee to become fully vested in such Hired Employee’s account under the 401(k) Plan and distribute such accounts to the applicable Hired Employee in accordance with the terms of the 401(k) Plan and applicable Law.

(d) Nothing in this Agreement will constitute an agreement by Purchaser to assume or be bound by any previous or existing employment agreement or arrangement between Seller and any of its employees (including under any employee benefit plans) or to prevent the termination of employment of any individual Hired Employee or any change in the employee benefits provided to any individual Hired Employee following Closing. Accordingly each Hired Employee shall be considered an employee “at-will.”

(e) The terms and provisions of this Article VIII are for the sole benefit of the Sellers and the Purchaser. Nothing contained herein, expressed or implied, (i) shall be construed to establish, amend, or modify any Employee Benefit Plan, any Purchaser Plan, or any other benefit plan, program, agreement or arrangement, subject to the Purchaser’s compliance with the provisions of Article VIII, (ii) shall alter or limit the ability of the Purchaser or any of its respective Affiliates to amend, modify or terminate any Purchaser Plan, or any other benefit or employment plan, program, agreement or arrangement after the Closing Date, (iii) is intended to

confer or shall confer upon any current or former employee any right to employment or continued employment, or constitute or create an employment agreement with any Hired Employee, or (iv) is intended to confer or shall confer upon any individual or any legal representative of any individual (including employees, retirees, or dependents or beneficiaries of employees or retirees, and collective bargaining agents or representatives) any right as a third-party beneficiary of this Agreement.

ARTICLE IX

CONDITIONS TO CLOSING

Section 9.1 Conditions Precedent to Obligations of Each Party. The respective obligations of Seller, on the one hand, and Purchaser, on the other hand, to consummate the transactions contemplated hereunder are subject to the fulfillment, on or prior to the Closing Date, of the following conditions:

(a) there must not be in effect any Order by a Governmental Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby.

Section 9.2 Conditions Precedent to Obligations of Purchaser. The obligation of Purchaser to consummate the transactions contemplated hereunder is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by Purchaser, in whole or in part, subject to Applicable Law):

(a) the representations and warranties of Seller contained herein must be true and correct in all respects (in the case of any representation or warranty with any materiality qualifier) or in all material respects (in the case of any representation or warranty made without a materiality qualifier) as of the date or dates at which such representations and warranties are made;

(b) Seller must have performed and complied in all material respects with all material obligations and covenants required by this Agreement to be performed or complied with by Seller on or prior to the Closing Date;

(c) Purchaser must have been furnished with the documents referred to in Section 10.1;

(d) [Reserved.]; and

(e) the Sale Order (i) must have been entered in form and substance reasonably acceptable to Purchaser and (ii) must not be subject to any stay or any Order reversing, revoking, vacating, rescinding, amending or modifying the Sale Order in any respect.

Section 9.3 Conditions Precedent to Obligations of Seller. The obligation of Seller to consummate the transactions contemplated hereunder is subject to the fulfillment, on or prior to

the Closing Date, of each of the following conditions (any or all of which may be waived by Seller, in whole or in part, subject to Applicable Law):

- (a) the Sale Order must have been entered by the Bankruptcy Court;
- (b) the representations and warranties of Purchaser contained herein must be true and correct in all respects (in the case of any representation or warranty with any materiality qualifier) or in all material respects (in the case of any representation or warranty made without a materiality qualifier) as of the date or dates at which such representations and warranties are made;
- (c) Purchaser must have performed and complied in all material respects with all material obligations and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date; and
- (d) Seller must have been furnished with the documents referred to in Section 10.2 and Purchaser shall have delivered to Seller the Total Consideration.

Section 9.4 Frustration of Closing Conditions. Neither Seller nor Purchaser may rely on the failure of any condition set forth in Sections 9.1, 9.2 or 9.3, as the case may be, if such failure was caused by such Party's failure to comply with any provision of this Agreement.

ARTICLE X

DOCUMENTS TO BE DELIVERED

Section 10.1 Documents to Be Delivered by Seller. At the Closing, Seller shall deliver, or cause to be delivered, to Purchaser the following:

- (a) the Bill of Sale, Assignment and Assumption Agreement for the Transferred Assets (in sufficient counterparts to facilitate recording) substantially in the form of Exhibit B attached hereto (the "Assignment Agreement"), and such other instruments of conveyance reasonably necessary for the transfer of the Transferred Assets, duly executed by Seller;
- (b) a certified copy of the Sale Order;
- (c) a certificate of an officer of Seller certifying that the closing conditions set forth in Sections 9.2(a) and 9.2(b) have been satisfied;
- (d) an affidavit of non-foreign status of Seller that complies with Section 1445 of the Code and the Treasury regulations thereunder (if such affidavit is not delivered, Purchaser will be entitled to withhold 10% of the Purchase Price as required by Section 1445 of the Code); and
- (e) such other documents, instruments and certificates as counsel for Purchaser and Seller mutually agree to be reasonably necessary to consummate the transactions described herein.

Section 10.2 Documents to Be Delivered by Purchaser. At the Closing, Purchaser shall deliver to Seller the following:

- (a) evidence of the wire transfer referred to in Section 3.3;
- (b) the Assignment Agreement, duly executed by Purchaser;
- (c) a certificate of an officer of Purchaser certifying that the closing conditions set forth in Sections 9.3(b) and 9.3(c) have been satisfied; and
- (d) such other documents, instruments and certificates as counsel for Purchaser and Seller mutually agree to be reasonably necessary to consummate the transactions described herein.

ARTICLE XI

LIMITATIONS

Section 11.1 LIMITATION OF REPRESENTATIONS AND WARRANTIES. Purchaser hereby acknowledges and agrees that, except as otherwise expressly provided in this Agreement or in the Schedules hereto prepared by Seller, Seller makes no representations or warranties whatsoever, express or implied, with respect to Seller, the Transferred Assets or the Assumed Liabilities (including, without limitation, income to be derived from or expenses to be incurred in connection with the Transferred Assets, the physical condition of any personal or real property comprising a part of the Transferred Assets or which is the subject of any of the Assumed Liabilities to be assumed by Purchaser at the Closing Date, the environmental condition or other matter relating to the physical condition of any real property or improvements which are the subject of any assigned lease to be assumed by Purchaser at the Closing Date, the zoning of any such real property or improvements, the value or transferability of the Transferred Assets (or any portion thereof), the terms, amount, validity or enforceability of any Assumed Liabilities, or the merchantability or fitness of the Transferred Assets). WITHOUT IN ANY WAY LIMITING THE FOREGOING AND EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER HEREBY DISCLAIMS ANY WARRANTY (EXPRESS OR IMPLIED) OF MERCHANTABILITY, FITNESS FOR ANY TRANSFERRED PURPOSE OR NON-INFRINGEMENT AS TO ANY PORTION OF THE TRANSFERRED ASSETS. Purchaser further acknowledges that Purchaser has conducted an independent inspection and investigation of the condition of the Transferred Assets, as Purchaser deemed necessary or appropriate, and that in proceeding with its acquisition of the Transferred Assets. Purchaser is doing so based solely upon such independent inspections and investigations and representations, warranties, terms and conditions of this Agreement and each other agreement, document or instrument contemplated hereby or thereby, but subject to the satisfaction or waiver of the closing conditions specified herein. Accordingly, if the Closing occurs, Purchaser will accept the Transferred Assets at the Closing Date "AS IS," "WHERE IS," and "WITH ALL FAULTS," subject to the provisions of this Agreement and the Sale Order.

Section 11.2 NO CONSEQUENTIAL OR PUNITIVE DAMAGES. NO PARTY (OR ITS AFFILIATES OR REPRESENTATIVES) SHALL, UNDER ANY CIRCUMSTANCE, BE

LIABLE TO THE OTHER PARTY (OR ITS AFFILIATES OR REPRESENTATIVES) FOR ANY CONSEQUENTIAL, EXEMPLARY, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES CLAIMED BY SUCH OTHER PARTY UNDER THE TERMS OF OR DUE TO ANY BREACH OF THIS AGREEMENT, INCLUDING LOSS OF REVENUE OR INCOME, DAMAGES BASED ON ANY MULTIPLIER OF PROFITS OR OTHER VALUATION METRIC, COST OF CAPITAL, DIMINUTION OF VALUE OR LOSS OF BUSINESS REPUTATION OR OPPORTUNITY.

Section 11.3 Designation of Purchaser. Purchaser may designate a wholly-owned Affiliate to be the Purchaser under this Agreement by written notice to the Seller at any time prior to Closing, provided no such assignment shall relieve Purchaser of its obligations hereunder.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Nonsurvival of Representations and Warranties. Except as set forth in Section 4.3, no representation or warranty or pre-closing covenant of any Party made herein shall survive beyond the Closing and there shall be no Liability in respect thereof, whether such Liability has accrued prior to or after the Closing, on the part of any Party or any of its Representatives. Except as set forth in Section 4.3, no representation or warranty or pre-closing covenant of any Party made herein shall survive beyond the termination of this Agreement and there shall be no Liability in respect thereof, whether such Liability has accrued prior to or after such termination, on the part of any Party or any of its Representatives.

Section 12.2 Remedies. The Parties acknowledge that the Bankruptcy Court or any other court that is enforcing any award of the Bankruptcy Court shall be permitted to provide equitable remedies, including specific performance, to the extent available under Applicable Law.

Section 12.3 Expenses. Except as otherwise set forth in this Agreement, each of Seller and Purchaser shall each bear its own expenses (including attorneys' fees) incurred in connection with the negotiation and execution of this Agreement and each other Transaction Document and the consummation of the transactions contemplated hereby and thereby.

Section 12.4 Submission to Jurisdiction.

(a) Without limiting any Party's right to appeal any Order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (ii) any and all Actions related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the Parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 12.10; provided, however, that if the Bankruptcy Case has been fully and finally closed or dismissed, the Parties agree to and hereby unconditionally and irrevocably submit to the exclusive

jurisdiction of the United States District Court for the Southern District of New York sitting in New York County or the Commercial Division, Civil Branch of the Supreme Court of the State of New York sitting in New York County and any appellate court from any thereof, for the resolution of any such claim or dispute.

(b) The Parties hereby unconditionally and irrevocably waive, to the fullest extent permitted by Applicable Law, any objection which they may now or hereafter have to the laying of venue of any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby brought in any court specified in subsection (a) above, or any defense of inconvenient forum for the maintenance of such dispute. Each of the Parties agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(c) Each of the Parties hereby consents to process being served by any Party in any suit, Action or proceeding by the mailing of a copy thereof in accordance with the provisions of Section 12.11; provided, however, that such service shall not be effective until the actual receipt thereof by the Party being served.

Section 12.5 Waiver of Jury Trial. THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT THAT THEY MAY HAVE TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION, OR IN ANY PROCEEDING, DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY). EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT, OR ATTORNEY OF ANY 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 AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.5.

Section 12.6 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

Section 12.7 Entire Agreement; Amendments and Waivers. This Agreement (including the Schedules and Exhibits hereto), the Confidentiality Agreement and the other Transaction Documents represent the entire understanding and agreement between the Parties with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the Party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in

exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 12.8 Governing Law. THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER, AND ANY CLAIM OR CONTROVERSY DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, SHALL IN ALL RESPECTS BE GOVERNED BY AND INTERPRETED, CONSTRUED, AND DETERMINED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO ANY CONFLICT OF LAWS PROVISION THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION).

Section 12.9 Table of Contents and Headings. The table of contents and section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

Section 12.10 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed duly given (i) when delivered personally or by prepaid overnight courier, with a record of receipt, (ii) the fourth day after mailing if mailed by certified mail, return receipt requested, or (iii) the day of transmission, if sent by facsimile or telecopy during regular business hours or the Business Day after transmission, if sent after regular business hours (with a copy promptly sent by prepaid overnight courier with record of receipt or by certified mail, return receipt requested), to the Parties at the following addresses or facsimile numbers (or to such other address or facsimile number as a Party may have specified by notice given to the other Party pursuant to this provision):

If to Seller:

Escada (USA) Inc.
1412 Broadway
New York, NY 10018
Phone: 212-852-5441
Fax: 212-852-5588
Attention: Scott A. Klion,
V.P., General Counsel and Secretary

With a copy to:

O'Melveny & Myers LLP
Times Square Tower
7 Times Square
New York, NY 10036
Phone: 212-326-2000
Fax: 212-326-2061
Attention: Gerald C. Bender

If to Purchaser:

Escada US Subco LLC
c/o Lentzy Investments SARL
L-1331 Luxembourg,
65 boulevard Grande-Duchesse Charlotte
Phone: +44 207 659 1020
Fax: +44 207 659 3511
Attention: Harak Banthia

With a copy to:

Cleary Gottlieb Steen & Hamilton LLP
12, rue de Tilsitt
75008 Paris France
Phone: +33-1-40-74-68-00
Fax: +33-1-40-74-68-88
Attention: Gamal M. Abouali

and to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Phone: 212-225-2000
Fax: 212-225-3999
Attention: Sean A. O'Neal

Section 12.11 Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by Law or public policy, all other terms and provisions hereof shall nevertheless remain in full force and effect so long as the legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or provision is invalid, illegal or incapable of being enforced, the Parties 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 hereby are consummated as originally contemplated to the greatest extent possible.

Section 12.12 Binding Effect; Assignment. This Agreement shall be binding solely upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person not a Party to this Agreement. Other than as set forth in Section 11.3, no assignment of this Agreement or of any rights or obligations hereunder may be made by Seller or Purchaser (by operation of law or otherwise) without the prior written consent of the other Party and any attempted assignment without the required consents shall be void.

Section 12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[The Remainder of This Page Is Intentionally Left Blank.]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its respective officers thereunto duly authorized, as applicable, all as of the date first above written.

ESCADA (USA) INC.

By: AC Lucia
Name: ANTHONY C. LUCIA
Title: PRESIDENT & CEO

ESCADA US SUBCO LLC

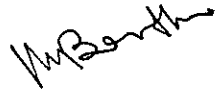
By: _____
Name:
Title:

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its respective officers thereunto duly authorized, as applicable, all as of the date first above written.

ESCADA (USA) INC.

By: _____
Name:
Title:

ESCADA US SUBCO LLC



By: _____
Name: HARAK BANTMIA
Title: AUTHORIZED OFFICER.

EXHIBIT A

DEFINITIONS

When used in this Agreement, the following terms shall have the respective meanings specified therefor below

“401(k) Plan” shall mean the Escada (USA) Inc. Profit Sharing and 401(k) Plan.

“717 Fifth Landlord” shall have the meaning set forth in Section 5.7(d).

“Action” shall mean any action, suit, arbitration, claim, inquiry, proceeding or investigation by or before any Governmental Authority of any nature, civil, criminal, regulatory or otherwise, in law or in equity.

“Affiliate” (and, with a correlative meaning “affiliated”) shall mean, with respect to any Person, any Person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such first Person. As used in this definition, “control” (including with correlative meanings, “controlled by” and “under common control with”) means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by Contract or otherwise).

“Agreement” shall have the meaning set forth in the preamble hereto.

“Applicable Law” shall mean, with respect to any Person, any Law applicable to such Person or its business, properties or assets.

“Approval Motion” shall mean a motion seeking approval of this Agreement and the transactions contemplated herein, which motion shall be in form and substance reasonably satisfactory to the Purchaser.

“Asset Acquisition Statement” shall have the meaning set forth in Section 3.6.

“Assignment Agreement” shall have the meaning set forth in Section 10.1(a).

“Assumed Contracts” shall mean, subject to modification pursuant to Section 2.1(e) hereof, those Contracts listed on Schedule 1.1(c)(2).

“Assumed Liabilities” shall have the meaning set forth in Section 2.1(c).

“Avoidance Actions” shall mean avoidance actions and similar rights and causes of action, including causes of action under Sections 544 through 553 of the Bankruptcy Code against the Purchaser or any of its Affiliates, directors, officers, representatives, employees or agents.

“Bankruptcy Case” shall have the meaning set forth in the recitals hereto.

“Bankruptcy Code” shall mean Title 11 of the United States Code, as amended.

“Bankruptcy Court” shall mean the United States Bankruptcy Court for the Southern District of New York or any other court having jurisdiction over the Bankruptcy Case from time to time.

“Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Procedures.

“Business” shall have the meaning set forth in the preamble hereto.

“Business Day” shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are required by Law to close. Any event the scheduled occurrence of which would fall on a day that is not a Business Day shall be deferred until the next succeeding Business Day.

“Closing” shall have the meaning set forth in Section 4.1.

“Closing Date” shall have the meaning set forth in Section 4.1.

“Closing New Inventory Amount” shall have the meaning set forth in Section 3.4(a).

“Closing Date Payment” shall have the meaning set forth in Section 3.3(b).

“Closing Statement” shall have the meaning set forth in Section 3.4(a).

“COBRA” shall mean the Consolidated Omnibus Reconciliation Act of 1985, as amended.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Collective Labor Agreement” shall mean any written agreement, or addendum appendix or side letter thereto, that a Person has entered into with any union or collective bargaining agent with respect to terms and conditions of employment of such Person's employees.

“Competing Transaction” shall mean any financing, refinancing, acquisition, divestiture, public offering, recapitalization, business combination or reorganization offered or proposed by any Person other than Purchaser with respect to or involving all or any part of the Business, including without limitation any of the Transferred Assets.

“Confidentiality Agreement” shall have the meaning set forth in Section 7.7.

“Contract” shall mean any contract, indenture, note, bond, loan, instrument, lease, commitment or other agreement that is legally binding.

“Contract Designation Deadline” shall have the meaning set forth in Section 2.1(e).

“Cure Amounts” shall mean any amounts necessary to cure any monetary default as required by Section 365 of the Bankruptcy Code with respect to Assumed Contracts.

“Cure Cap” shall have the meaning set forth in Section 2.1(e).

“Customer Program Liabilities” shall mean all Liabilities of Seller in respect of any gift certificates, refund or exchange policies, price adjustment policies and wholesale customer programs identified on Schedule 1.1(e).

“Employees” shall mean all individuals, as of the date hereof, who are employed or engaged by Seller to perform work primarily related to the operation of the Transferred Assets.

“Employee Benefit Plans” shall mean any “employee benefit plan” within the meaning of Section 3(3) of ERISA and each other employee benefit plan including any profit sharing plan, savings plan, bonus plan, performance awards plan, incentive compensation plan, deferred compensation plan, stock purchase plan, stock option plan, vacation plan, leave of absence plan, employee assistance plan, automobile leasing/subsidy/allowance plan, meal allowance plan, redundancy or severance plan, relocation plan, family support plan, pension plan, supplemental pension plan, retirement plan, retirement savings plan, post retirement plan, medical, health, hospitalization or life insurance plan, disability plan, sick leave plan, retention plan, education assistance plan, expatriate assistance plan, compensation arrangement, including any base salary arrangement, overtime, on-call or call-in policy, death benefit plan, employment agreement, severance agreement or plan, retention plan, change in control plan, or any other similar plan, program, arrangement or policy, whether written or unwritten or otherwise, funded or unfunded, that is maintained or otherwise contributed to, or required to be maintained or contributed to, by or on behalf of the Seller or any of their ERISA Affiliates, in each case under which any Employee or any former employee has any present or future right to benefits.

“Environmental Law” shall mean all Applicable Laws in effect on the date hereof relating to: (i) protection, preservation or cleanup of the environment or natural resources; (ii) presence or Release of or exposure to Hazardous Materials, or any investigation, cleanup or other response thereto; or (iii) health and safety.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” shall mean (i) any corporation included with a party hereto in a controlled group of corporations within the meaning of Section 414(b) of the Code; (ii) any trade or business (whether or not incorporated) which is under common control with a party hereto within the meaning of Section 414(c) of the Code; (iii) any member of an affiliated service group of which a party hereto is a member within the meaning of Section 414(m) of the Code; or (iv) any other person or entity treated as an affiliate of a party hereto under Section 414(o) of the Code.

“Escrow Agent” shall have the meaning set forth in Section 3.2(a).

“Escrow Agreement” shall have the meaning set forth in Section 3.2(a).

“Escrow Amount” shall have the meaning set forth in Section 3.2(a).

“Estimated Closing Statement” shall have the meaning set forth in Section 3.3(a).

“Estimated New Inventory Amount” shall have the meaning set forth in Section 3.3(a).

“Excluded Liabilities” shall have the meaning set forth in Section 2.1(d).

“Exhibits” shall mean the exhibits attached to this Agreement.

“Existing Letters of Credit” shall have the meaning set forth in Section 7.13.

“Expense Reimbursement” shall mean the reasonable, out-of-pocket and documented fees and expenses incurred by Purchase and its advisors, including without limitation Purchaser’s legal advisors, in connection with any investigation, negotiation, documentation and litigation relating to this Agreement and the transactions contemplated hereby, including without limitation the acquisition of all or part of the Business and the Transferred Assets, subject to an aggregate cap of \$250,000.

“Final Allocation” shall have the meaning set forth in Section 3.4.

“Final Determination” shall have the meaning set forth in Section 3.5(c).

“Final New Inventory Amount” shall have the meaning set forth in Section 3.5(c).

“Final Order” shall mean an action taken or Order issued by the Bankruptcy Court as to which: (i) no request for stay of the action or Order is pending, no such stay is in effect, and, if any deadline for filing any such request is designated by statute or regulation, it is passed, including any extensions thereof, (ii) no petition for rehearing or reconsideration of the action or Order, or protest of any kind, is pending before the Bankruptcy Court and the time for filing any such petition or protest is passed, (iii) the Bankruptcy Court does not have the action or Order under reconsideration or review on its own motion and the time for such reconsideration or review has passed, and (iv) the action or Order is not then under judicial review, there is no notice of appeal or other application for judicial review pending, and the deadline for filing such notice of appeal or other application for judicial review has passed, including any extensions thereof.

“Financial Information” shall have the meaning set forth in Section 5.5.

“GAAP” shall mean United States generally accepted accounting principles as in effect during the time period of the relevant financial statement.

“Governmental Authority” shall mean any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to federal, state or local government (whether domestic or foreign), including any governmental authority, agency, department, board, commission or instrumentality or any political subdivision thereof, and any tribunal, court or arbitrator(s) of competent jurisdiction, and shall include the Bankruptcy Court.

“Hazardous Materials” shall mean all pollutants, contaminants, or toxic, hazardous or deleterious substances, materials, wastes or agents, including without limitation petroleum or any fraction thereof, asbestos-containing materials, and polychlorinated biphenyls.

“Hired Employee” shall have the meaning set forth in Section 8.1(a).

“Independent Accountant” shall mean an independent tax accounting firm to be mutually agreed upon by Seller and Purchaser, provided that if Seller and Purchaser are unable to agree upon an independent tax accounting firm within fifteen (15) days of the date upon which a dispute is to be referred to it pursuant to Section 3.4, the Independent Accountant shall be the independent tax accounting firm selected by the American Arbitration Association at the request of either Party (it being understood that such request by a Party shall preclude a later request by the other Party).

“Independent Auditor” shall have the meaning set forth in Section 3.4(c).

“Intellectual Property Rights” shall mean all of the rights arising from or in respect of intellectual property rights, however denominated, throughout the world, whether or not registered, including the following: (a) patents, patent applications, any reissues, reexaminations, divisionals, continuations, continuations-in-part and extensions thereof, as well as inventions, invention disclosures, discoveries and improvements, whether patentable or not; (b) trademarks, service marks, trade names, service names, industrial designs or similar design rights, product configuration, trade dress rights, Internet domain names, corporate names, identifying symbols, logos, emblems, slogans, signs, insignia, and other brand or source identifiers, and general intangibles of a like nature, together with the goodwill associated with any of the foregoing and all applications, registrations and renewals thereof and all common rights thereto; (c) copyrights and other proprietary works of authorship, and registrations and applications therefor and renewals and extensions thereof, as well as works of authorship, databases and mask work rights; (d) trade secrets, proprietary data, and other proprietary or protected or information of a confidential nature, including market data and data or information that any Person is obligated to treat as proprietary through Contract, binding policies of any trade or professional association, or other private or consensual arrangement, as well as the right to limit the use or disclosure of any of the foregoing by any person; (e) rights of privacy and publicity, and moral rights; and (f) all applications, registrations, permits, claims, defenses and rights of action arising from or relating to any of the foregoing.

“IRS” shall mean the United States Internal Revenue Service.

“Law” shall mean any federal, state or local law (including common law), statute, code, ordinance, rule, regulation or other requirement enacted, promulgated, issued or entered by a Governmental Authority.

“Leased Real Property” shall have the meaning set forth in Section 5.7(b).

“Lentzy Investments” shall mean Lentzy Investments SARL, a *société à responsabilité limitée* organized under the laws of Luxembourg.

“Liabilities” shall mean any and all debts, losses, liabilities, claims (including claims as defined in the Bankruptcy Code), damages, expenses, fines, costs, royalties, proceedings, deficiencies or obligations (including those arising out of any action, such as any settlement or compromise thereof or judgment or award therein), of any nature, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due, and whether or not resulting from third party claims, and any reasonable out-of-pocket costs and expenses

(including reasonable legal counsels', accountants', or other fees and expenses incurred in defending any action or in investigating any of the same or in asserting any rights hereunder).

“Lien” shall mean any lien, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, transfer restriction under any shareholder or similar agreement or encumbrance.

“Material Contract” shall have the meaning set forth in Section 5.9(a).

“New Inventory” shall have the meaning set forth in Section 7.16.

“New Inventory Amount” shall mean the purchase price (net of shipping costs, insurance and taxes) paid by the Seller to Lentzy Investments or any of its Affiliates in cash for New Inventory, less the New Inventory Cash Receipts.

“New Inventory Cash Receipts” shall have the meaning set forth in Section 7.16.

“New York Retail Lease” shall have the meaning set forth in Section 5.7(d).

“Non-Assumed Contracts” shall have the meaning set forth in Section 2.1(e).

“Non-Assumed Lease” shall have the meaning set forth in Section 7.17(b).

“Offered Employee” shall have the meaning set forth in Section 8.1(a).

“Order” shall mean any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award.

“Outside Date” shall have the meaning set forth in Section 4.2(b).

“Parent” shall have the meaning set forth in the preamble hereto.

“Party” or “Parties” shall have the meaning set forth in the preamble hereto.

“Permits” shall mean any approvals, authorizations, consents, licenses, tax registrations, permits or certificates.

“Permitted Liens” shall mean (i) statutory liens for current property Taxes and assessments not yet due and payable, including, without limitation, any such liens for ad valorem Taxes and statutory liens not yet due and payable arising other than by reason of any default by Seller, (ii) easements, restrictive covenants, permits, defects, rights of way and encumbrances not adversely affecting the continued use, occupancy or ordinary conduct of the Business, (iii) zoning, entitlement, conservation restriction and other land use and environmental regulations or building codes which are imposed by Governmental Authorities, (iv) Liens that relate to Assumed Liabilities (including Liens arising under the Assumed Contracts; but excluding any Liens related to Taxes other than Liens under clause (i)), (v) any mechanics', carriers', workers', repairers' or similar Liens arising or incurred in the ordinary course of the Business that are incidental to construction, maintenance or operation of any Transferred Asset and that are not yet

delinquent, and (vi) the rights of any third Person to appeal the Sale Order in accordance with the provisions of the Bankruptcy Code; provided that none of the foregoing clauses (i) through (vi) shall materially interfere with the ownership or operation of the affected Transferred Assets, materially detract from the value of the affected Transferred Assets, or, other than in the case of clauses (i) and (v), secure an obligation to pay money.

“Person” shall mean and include any natural person, corporation, limited partnership, limited liability company, general partnership, joint stock company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not legal entities, and all Governmental Authorities.

“Personal Property” shall have the meaning set forth in Section 5.7(c).

“Post-Petition Cure Amounts” shall mean any amounts necessary to cure any monetary default required by Section 365 of the Bankruptcy Code with respect to Assumed Contracts for periods on or after August 14, 2009, the date the Bankruptcy Case was commenced.

“Pre-Petition Cure Amounts” shall mean any amounts necessary to cure any monetary default required by Section 365 of the Bankruptcy Code with respect to Assumed Contracts for periods commencing prior to August 14, 2009, the date the Bankruptcy Case was commenced.

“Purchased Intellectual Property” shall mean all Intellectual Property Rights, Software and Technology throughout the world that are used in, related to, or otherwise necessary for the Business and that are owned by the Seller, including all Intellectual Property Rights embodied in or arising from the Transferred Assets.

“Purchaser” shall have the meaning set forth in the preamble hereto.

“Purchaser’s Affiliate” shall mean HSBC Trustee (C. I.) Limited as trustees of the Royal II Trust, of 1 Grenville Street, St. Heller, Jersey, JE4 9PF.

“Purchaser’s Knowledge” shall mean the actual knowledge, after due inquiry and investigation, of Rony Stefano.

“Purchaser Material Adverse Effect” shall mean any change, circumstance or event occurring on or after the date hereof that would materially hinder or delay Purchaser’s ability to consummate the transactions contemplated hereby.

“Purchaser Plans” shall have the meaning set forth in Section 8.1(b).

“Reconciliation Period” shall have the meaning set forth in Section 3.4(c).

“Release” shall mean any release, spill, emission, discharge, leaking, pumping, injection, deposit or disposal of Hazardous Materials into the environment.

“Representatives” of a Person shall mean its respective officers, directors, managers, employees, attorneys, investment bankers, accountants and other agents and representatives.

“Retained Assets” shall mean all of Seller’s right, title and interest in and to each of the following assets that are owned, held or used by Seller in connection with the Business or otherwise:

1. all rights of Seller under the Transaction Documents and all cash and non-cash consideration payable or deliverable to Seller pursuant to the terms and provisions hereof;
2. all cash and cash equivalents, including the Seller’s bank accounts, certificates of deposit and other prepaid assets (including utility deposits, prepaid expenses, credits, claims for refunds, escrowed funds, prepaid insurance and related rights to the refund of unearned premiums, security deposits, in each case, other than with respect to such security deposits set forth on Schedule 1.1(c)(12) in the amounts set forth thereon);
3. all rights under any contracts or agreements other than the Assumed Contracts;
4. all books and records of the Seller and any other corporate governance, organization, and capitalization documents of the Seller not related primarily to the Business or required to be maintained by the Seller pursuant to Applicable Law;
5. the insurance policies and binders of the Seller and all claims and rights thereunder and the proceeds thereof relating to or arising in respect of the period prior to the Closing Date (including, without limitation, insurance premium refunds);
6. all causes of action, lawsuits, judgments, claims, refunds, choses in action, rights of recovery, rights of set-off, rights of recoupment, demands and any other rights or claims of any nature not included as a Transferred Asset relating to or arising prior to the Closing Date;
7. any Taxes recoverable or refundable (whether by refund, credit, prepayment, deferral or otherwise) to the Seller relating to the Business or the Transferred Assets for any taxable period (or portion thereof) ending on or prior to the Closing Date;
8. all tangible and intangible assets of Seller used primarily for purposes other than the ownership, maintenance or operation of the Business;
9. the assets identified on Schedule 1.1(d).

“Sale Order” shall mean an Order of the Bankruptcy Court in substantially the form attached hereto as Exhibit C authorizing and approving (i) the sale of the Transferred Assets and the assignment of the Assumed Contracts to the Purchaser on the terms and conditions set forth herein and (ii) the change of the caption of the Bankruptcy Case to a caption that does not contain the words “ESCADA” or any derivative or combination thereof.

“Savannah Landlord” shall have the meaning set forth in Section 2.1(e).

“Savannah Lease” shall have the meaning set forth in Section 2.1(e).

“Schedules” shall mean the schedules attached to this Agreement.

“Seller” shall have the meaning set forth in the preamble hereto.

“Seller Material Adverse Effect” shall mean any change, circumstance or event occurring on or after the date hereof that (i) is materially adverse to the Business or to the Transferred Assets, as the same shall have existed as of the date hereof, or (ii) would materially hinder or delay Seller’s ability to consummate the transactions contemplated hereby, excluding any such change, circumstance or event to the extent resulting (a) from (i) the condition of the economy or the securities markets in general, or any outbreak of hostilities, terrorist activities, military actions or war or any escalation or material worsening of any such hostilities, terrorist activities, military actions or war existing or underway as of the date hereof; (ii) the announcements, pendency or consummation of the sale of the Transferred Assets; (iii) any action taken or publicly proposed to be taken by Purchaser or its Affiliates; (iv) the filing of the Bankruptcy Case; (v) any changes in general economic, political or regulatory conditions in the industry in which the Business operates; or (vi) the effect of any changes in Applicable Laws or accounting rules (and that, in the case of clauses (i), (v) and (vi) does not have a material disproportionate affect on Seller relative to the Seller’s competitors within the industry in which Seller operates), or (b) from any breach by Purchaser of any covenant or agreement herein or from any representation or warranty of Purchaser having been or having become untrue in any respect.

“Seller’s Knowledge” shall mean the actual knowledge, after due inquiry and investigation, of William H. Scott, Anthony C. Lucia, Christian D. Marques and Scott A. Klion.

“Software” shall mean any and all (i) computer programs including any and all software implementations of algorithms, models and methodologies and application programming interfaces, whether in source code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow charts and other work product used to design, plan, organize and develop any of the foregoing, screen displays, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (iv) all software-related specifications documentation including user manuals and other training documentation related to the foregoing.

“Solicitation Period” shall have the meaning set forth in Section 7.5(b).

“Straddle Period” shall have the meaning set forth in Section 7.12(d).

“Subsidiary” shall mean, with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, of which (i) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries or (ii) such Person or any other Subsidiary of such Person is a general partner (excluding any such partnership

where such Person or any Subsidiary of such Person does not have a majority of the voting interest in such partnership).

“Tax” shall mean all federal, state, provincial, territorial, municipal, local or foreign income, profits, franchise, gross receipts, capital, environmental (including taxes under Code Section 59A), customs, duties, net worth, sales, use, goods and services, withholding, value added, turnover, ad valorem, registration, general business, employment, social security, disability, occupation, pension, real property, personal property (tangible and intangible), stamp, transfer, conveyance, severance, production, excise and other taxes, withholdings, duties, levies, imposts and other similar charges and assessments (including any and all fines, penalties and additions attributable to or otherwise imposed on or with respect to any such taxes, charges, fees, levies or other assessments, and interest thereon) imposed by or on behalf of any Taxing Authority, however denominated.

“Tax Returns” shall mean any report, return, declaration, claim for refund, information report or return, form, statement or other information required to be supplied to a Taxing Authority in connection with Taxes, including any schedule, statement or attachment thereto or amendment thereof.

“Taxing Authority” shall mean any Governmental Authority having jurisdiction over the assessment, determination, collection, administration or imposition of any Tax.

“Technology” shall mean, collectively, all designs, formulae, algorithms, procedures, methods, techniques, ideas, know-how, business and marketing information, research and development, technical data, programs, subroutines, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, non-public or confidential information, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology.

“Tender Premises” shall have the meaning set forth in Section 7.17(a).

“Total Consideration” shall have the meaning set forth in Section 3.1.

“Transaction Documents” shall mean this Agreement, the Escrow Agreement, the Assignment Agreement and all other Contracts and agreements necessary to effectuate the transactions completed hereby.

“Transfer Taxes” shall have the meaning set forth in Section 7.12(e).

“Transferred Assets” shall mean all of Seller’s right, title and interest in and to any and all assets that are owned, held or used by Seller in connection with the Business and that are not Retained Assets. In furtherance and not in limitation of the foregoing, the Transferred Assets shall include the following:

1. all accounts receivable existing as of the Closing, that, in the ordinary course of business, are booked, reported, maintained and collected by the Seller, including but not limited to those listed on Schedule 1.1(c)(1);
2. the Assumed Contracts set forth on Schedule 1.1(c)(2), as that schedule may be amended from time to time by Purchaser prior to the Closing, it being understood that the inclusion of any such contract as an Assumed Contract and a Transferred Asset shall be subject to the entry of a Bankruptcy Court Order or the agreement of the non-debtor party to the applicable Contract;
3. all equipment, computers, furniture, furnishings, fixtures, improvements, office supplies and all other tangible personal property, including those that are described on Schedule 1.1(c)(3);
4. any legal and beneficial title to and all rights, title and interest in and to the Purchased Intellectual Property anywhere in the world and all income, royalties, damages and payments due or payable relating to the Purchased Intellectual Property (including damages and payments for past or future infringements or wrongful interference or misappropriations thereof), the right to register, prosecute, maintain and defend the Purchased Intellectual Property before any public or private agency or registrar, the right to sue and recover (and retain) damages and other remedies (including an account of profits) for past or future infringements or wrongful interference or misappropriations thereof and all other statutory and common rights, powers, benefits and rights of action pertaining to the Seller in respect of the Purchased Intellectual Property, and the right to fully and entirely stand in the place of the Seller in all matters related thereto;
5. (i) all license agreements pursuant to which any third party grants the Seller rights in third party Intellectual Property Rights related to the Business, including such of the foregoing as are listed or described on Schedule 1.1(c)(5)(i); (ii) the distribution and license agreements that are listed or described on Schedule 1.1(c)(5)(ii) pursuant to which the Seller grants to any third party rights in the Purchased Intellectual Property; (iii) any and all agreements containing any third party assignment, waiver or non-assertion of rights relating to the Purchased Intellectual Property; and (iv) all rights and incidents of interest under and with respect to each of the foregoing;
6. all customer records, customer lists and other customer-related information (in the case of each of the foregoing, subject to Purchaser's agreement to comply with the provisions of Seller's privacy policy), business statistics, and promotional, marketing, sales and advertising materials (including, without limitation, all marketing files and data, end-aisle and in-store promotional materials) relating to goods or services bearing, or sold or provided under, the "ESCADA" and "ESCADA SPORT" trademarks;
7. the inventory, finished goods, works in process, raw materials and packaging materials used, held for use or owned by the Seller as of the Closing Date in

connection with the Business or in connection with, or necessary for, the marketing, distribution, labeling, packaging or sale of goods or services that are related to the Leased Real Properties or the facilities set forth in Schedule 1.1(c)(7), including, without limitation, any of the foregoing owned by the Seller but in possession of manufacturers, suppliers or dealers, or that are in transit or returned goods (the “Inventory”);

8. all warranties, representations and guarantees made by suppliers, manufacturers and contractors with respect to the Transferred Assets or under the Assumed Contracts;
9. all causes of action, lawsuits, judgments, claims, refunds, choses in action, rights of recovery, rights of set off, rights of recoupments, demands and any other rights or claims of any nature (whether choate or inchoate, known or unknown, contingent or non-contingent, commenced or not commenced, and whether arising by way of counterclaim or otherwise) arising with respect to the Transferred Assets or the Business from and after the Closing;
10. to the extent transferable, all Permits, including, without limitation, the Permits that are listed or described in Schedule 1.1(c)(10)(i) and the Environmental Permits listed in Schedule 1.1(c)(10)(ii), to the extent transferable;
11. all books and records of the Seller that are in the Seller’s possession, custody or control, relating to the Business or the use and operation of the Transferred Assets, including all employee records related to the Hired Employees to the extent those permitted to be transferred by Applicable Law, or that are reasonably required by the Purchaser to use and operate the Transferred Assets or the Business and that are available to the Seller;
12. all security or other deposits, including recoverable deposits (and, in each case, security interests relating thereto) provided to lessors arising from or in connection with the Leased Real Properties that are the subject of Assumed Contracts, in the amounts identified on Schedule 1.1(c)(12); and
13. all Avoidance Actions, subject to Purchaser’s agreement in Section 6.8 that it will in no event pursue such actions.

“Transferred Assets Purchase Price” shall have the meaning set forth in Section 3.1(a).

“Transition Date” shall have the meaning set forth in Section 7.17(b).

“Transition Period” shall have the meaning set forth in Section 7.17(b).

“WARN Act” shall mean the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar foreign, state, or local law.

“Wholesale Customers” shall have the meaning set forth in Section 7.16.

EXHIBIT B

Form of Assignment Agreement

BILL OF SALE,

ASSIGNMENT AND ASSUMPTION AGREEMENT

This **BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT** (this "Agreement") is made and entered into as of [●], 2009, by and between Escada (USA) Inc., Delaware corporation ("Seller") and Escada US Subco LLC, a Delaware limited liability company ("Purchaser"). Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, this Agreement is executed pursuant to that certain Asset Purchase and Sale Agreement, dated as of December 21, 2009 (the "Purchase Agreement"), by and between Seller and Purchaser, which provides, among other things, for the sale and assignment by Seller to Purchaser of the Transferred Assets free and clear of any and all Liens (other than the Permitted Liens), and the assumption by Purchaser of the Assumed Liabilities;

WHEREAS, subject to the terms and conditions set forth in the Purchase Agreement, Seller desires to sell, convey, assign, transfer and deliver to Purchaser and Purchaser desires to purchase, acquire and accept from Seller, free and clear of any and all Liens (other than the Permitted Liens), all right, title and interest in and to the Transferred Assets; and

WHEREAS, subject to the terms and conditions set forth in the Purchase Agreement, Seller desires to sell, convey, assign, transfer and deliver to Purchaser and Purchaser desires to assume and thereafter pay, discharge, perform and otherwise satisfy when due the Assumed Liabilities.

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Purchaser and Seller do hereby agree as follows:

Section 1. Transfer of Assets. In accordance with and subject to the terms and conditions of the Purchase Agreement and the Sale Order, Seller does hereby sell, convey, assign, transfer and deliver to Purchaser, and Purchaser does hereby purchase, acquire and accept, all of Seller's right, title and interest in, to and under the Transferred Assets free and clear of any and all Liens (other than the Permitted Liens). It is agreed by the parties that Purchaser does not hereby acquire any Retained Assets. For intent-to-use U.S. applications for marks included in the Purchased Intellectual Property (if any), the Parties acknowledge that that portion of the business of Seller to which the assigned Purchased Intellectual Property pertains is ongoing and existing and is also being transferred to Purchaser.

Section 2. Assumption of Liabilities. In accordance with and subject to the terms

and conditions of the Purchase Agreement and the Sale Order, Purchaser hereby unconditionally and irrevocably assumes, undertakes and agrees to pay, discharge, perform and otherwise satisfy when due, all of the Assumed Liabilities.

Section 3. Miscellaneous.

(a) The transfer and assignment set forth herein is made by Seller without any express or implied representation or warranty of any kind, except as expressly set forth in and subject to the limitations described in the Purchase Agreement. In the event of any conflict or inconsistency between the terms of the Purchase Agreement and the terms hereof, the Purchase Agreement shall govern, supersede and control this Agreement in all respects. In particular, nothing in this Agreement shall limit Purchaser's rights to the Purchased Intellectual Property under the Purchase Agreement.

(b) Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or give to, any Person, other than the parties to this Agreement, any rights, remedies, obligations or liabilities.

(c) This Agreement shall be binding solely upon and inure to the benefit of Purchaser and Seller and their respective successors and permitted assigns. Neither Purchaser nor Seller may assign this Agreement or delegate any of its duties hereunder to any other Person without the prior written consent of the other party hereto.

(d) All actions related to this Agreement shall be filed and maintained only in the Bankruptcy Court, and the Parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court; provided, however, that if the Bankruptcy Case has been fully and finally dismissed, the Parties agree to and hereby unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York sitting in New York County or the Commercial Division, Civil Branch of the Supreme Court of the State of New York sitting in New York County and any appellate court from any thereof, for the resolution of any such claim or dispute.

(e) This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without regard for the State of New York's conflict of law rules.

(f) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original copy and all of which together will constitute one and the same instrument.

(g) This Agreement, together with the Purchase Agreement, represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and no amendment or modification of this Agreement shall be effective unless it is set forth in writing and signed by each of the parties hereto.

(h) If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the legal

substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or 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 hereby are consummated as originally contemplated to the greatest extent possible.

(i) All notices and other communications required or permitted hereunder will be made in accordance with the Purchase Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

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

ESCADA (USA) INC.

By: _____
Name:
Title:

ESCADA US SUBCO LLC

By: _____
Name:
Title: