AMENDED AND RESTATED

STOCK PURCHASE

AGREEMENT

among

NEWPORT NEWS, INC.,

NEWPORT NEWS SERVICES, LLC,

NEW HAMPTON REALTY CORP.,

SPIEGEL, INC.

and

NEWPORT NEWS INTERNATIONAL LIMITED

Dated as of June 7, 2004

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AMENDED AND RESTATED STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of June 7, 2004, among Spiegel, Inc. ("Spiegel"; it being understood that Spiegel is only party to this Agreement for the purposes of the Stock Transfer and effectuating the Closing), Newport News, Inc. ("NNI"), a Delaware corporation and a wholly owned subsidiary of Spiegel, Newport News Services, LLC ("LLC"), an Ohio limited liability corporation and wholly owned subsidiary of NNI, and New Hampton Realty Corp. ("New Hampton Realty"), a Delaware corporation and a wholly owned subsidiary of Spiegel (each of NNI, LLC and New Hampton Realty individually, a "Seller" and collectively, the "Sellers"), and Newport News International Limited (formerly known as Pangea Acquisition 8 Limited), a Bermuda company (the "Purchaser").

RECITALS

WHEREAS, the Sellers are engaged in the business of selling women's apparel and other merchandise through a catalog entitled "Newport News" and an e-commerce site (www.newport-news.com) (the "Business");

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

WHEREAS, the Sellers and the Purchaser entered into (a) that certain Asset Purchase Agreement, dated as of April 6, 2004 and (b) that certain Amended and Restated Asset Purchase Agreement (the "Asset Purchase Agreement"), dated as of May 14, 2004, and pursuant to the Asset Purchase Agreement, an auction was held on May 11, 2004 in the Chapter 11 Cases;

WHEREAS, the Purchaser was the successful bidder at the May 11, 2004 auction and the Sellers and the Purchaser wish to amend and restate the Asset Purchase Agreement in its entirety as set forth herein;

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

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

"Agreement" has the meaning set forth in the preamble of this Agreement.

"Ancillary Agreements" means the Bill of Sale, the Deeds, the Assignment of Transferred Intellectual Property, the Transition Services Agreement and the Assumption Agreement.

"Amended Approval Order" has the meaning set forth in Section 5.11(b) of this Agreement.

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

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

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

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

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

"Bank Accounts" has the meaning set forth in Section 2.01(a)(xvii).

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

"Balance of Purchaser's Deposit" has the meaning set forth in Section 5.12 of this Agreement.

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

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

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

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

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

"Bidding Procedures Order" has the meaning set forth in Section 5.11(a) of this Agreement.

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

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

"Break-up Fee" has the meaning set forth in the Bidding Procedures.

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

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

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

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

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

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

"Committee" has the meaning set forth in Section 6.01(a) of this Agreement.

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

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

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

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

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

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

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

"Court-Imposed Qualified Overbid" has the meaning set forth in Section 6.08 of this Agreement.

"Cure Costs" has the meaning set forth in Section 2.04 of this Agreement.

"Deed" means, with respect to each parcel of Transferred Real Property, the instrument of conveyance customary to the applicable jurisdiction to be executed by the Sellers at the Contribution Closing in order to convey to Newco the Sellers' interests, if any, in such parcel of Transferred Real Property, in a form mutually agreed upon by the Sellers and the Purchaser.

"Designated Contracts" has the meaning set forth in Section 2.04 of this Agreement.

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

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

"Discount Products" has the meaning set forth in Section 5.15 of this Agreement.

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

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

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

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

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

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

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

"Estimated Closing Net Current Assets" has the meaning set forth in Section 2.13(a) of this Agreement.

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

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

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

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

"Expense Reimbursement" has the meaning set forth in the Bidding Procedures.

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

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

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

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

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

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

"Improvements" means the buildings, improvements and structures existing from time to time on any Transferred Real Property or Leased Real Property, as the case may be.

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

"Initial Purchaser's Deposit" has the meaning set forth in Section 5.12 of this Agreement.

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

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

"IRS" means the Internal Revenue Service of the United States.

"January 3, 2004 NNI Balance Sheet" has the meaning set forth in Section 3.04 of this Agreement.

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

"Leased Real Property" has the meaning set forth in Section 3.09(b) of this Agreement.

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

"Liens" means any mortgage, pledge, charge, security interest, encumbrance, lien (statutory or otherwise), conditional sale agreement or any other "interest in property" as such term is used in section 363 of the Bankruptcy Code.

"Licensed Assets" has the meaning set forth in Section 2.01(a)(iii) of this Agreement.

"Licensed Rights" has the meaning set forth in Section 5.15 of this Agreement.

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

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

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

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

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

"New Hampton Realty" has the meaning set forth in the preamble of this Agreement.

"Newco" has the meaning set forth in the recitals of this Agreement.

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

"NNI" has the meaning set forth in the preamble of this Agreement.

"Obligations" has the meaning set forth in Section 5.18 of this Agreement.

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

"Ordinary Course of the Business" means the usual and ordinary operation of the Business consistent with past practice.

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

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

"Petition Date" means March 17, 2003.

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

"Product Liabilities" means Liabilities with respect to any products designed, manufactured, tested, marketed, distributed or sold by the Sellers and exclusively related to the Business prior to the Contribution Closing.

"Property Taxes" means real and personal ad valorem property Taxes and any other Taxes imposed on a periodic basis and measured by the value of any asset.

"Purchase Price" has the meaning set forth in Section 2.03 of this Agreement.

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

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

"Purchaser" has the meaning set forth in the preamble of this Agreement.

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

"Purchaser's Accountants" has the meaning set forth in Section 2.13(b)(i)(C) of this Agreement.

"Purchaser's Deposit" has the meaning set forth in Section 5.12 of this Agreement.

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

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

"Real Property Liens" means (i) zoning, building codes and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority; (ii) survey exceptions, reciprocal easement agreements and other customary encumbrances on title to real property that (A) were not incurred in connection with any indebtedness, (B) do not render title to the property encumbered thereby unmarketable and (C) do not, individually or in the aggregate, materially adversely affect the value or use of such property for its current and anticipated purposes and (iii) Liens for taxes, assessments and governmental charges or levies on real property not yet due and payable.

"Receivables" means any and all accounts receivable (whether billed or unbilled), notes and other evidences of indebtedness and other amounts receivable from third parties, including but not limited to, Tax refunds, credits or similar benefits not attributable to Excluded Taxes and customers, to the extent arising from the conduct of the Business before the Contribution Closing, whether or not in the ordinary course, together with any unpaid financing charges accrued thereon.

"Reference Net Current Assets" means $76,461,000.

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

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

"Sale" means the sale of the Shares.

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

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

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

"Sellers' Accountants" has the meaning set forth in Section 2.13(b) of this Agreement.

"Sellers' 401(k) Plans" has the meaning set forth in Section 7.04 of this Agreement.

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

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

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

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

"Successful Bid" has the meaning set forth in Section 6.03(e) of this Agreement.

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

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

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

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

"Trademarks and Images" has the meaning set forth in Section 5.15 of this Agreement.

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

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

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

"Transferred Real Property" has the meaning set forth in Section 2.01(a)(i) of this Agreement.

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

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

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

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

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

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

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

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

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

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

(i) notwithstanding anything to the contrary contained in the Disclosure Schedule or in this Agreement, the information and disclosures contained in any section of the Disclosure Schedule shall be deemed to be disclosed and incorporated by reference in any other section of this Agreement or the Disclosure Schedule as though fully set forth in such other section for which the applicability of such information and disclosure is reasonably apparent in the face of such information or disclosure.

ARTICLE II

PURCHASE AND SALE

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

(i) the real property, together with any Improvements thereon, specified in Section 2.01(a)(i) of the Disclosure Schedule (the "Transferred Real Property");

(ii) the tangible personal property owned by the Sellers or used exclusively by any of the Sellers in the conduct of the Business;

(iii) the equipment, machinery and other tangible property, including all data and word processing equipment, computer software and hardware, fixtures, furniture and accessories, owned by any of the Sellers or used exclusively by any of the Sellers in the conduct of the Business and including, without limitation, the assets identified in Section 2.01(a)(iii) of the Disclosure Schedule (the "Licensed Assets");

(iv) the Inventories;

(v) the Receivables;

(vi) the books of account, general, accounting, financial, tax and personnel records, invoices, shipping records, supplier lists, business plans, correspondence and other marketing and all other studies and documents, records and files and any rights thereto owned by any Seller or exclusively associated with or exclusively employed by any Seller in the conduct of the Business; provided, that to the extent any of the foregoing items described in this clause (vi) related to the Business and any other business of Spiegel and its Affiliates, Newco shall be given copies of any such items;

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

(viii) the Transferred Intellectual Property;

(ix) the catalogs, sales and promotional literature, customer lists and other sales-related materials of each of the Sellers, including merchandise certificates and gift certificates, owned by the Sellers or used exclusively by the Sellers in the Business

(including all images owned by any of the Sellers and the Sellers' right and interest in licensed images);

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

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

(xii) the unfilled sales orders and invoices relating to the Business which have been entered into on or prior to or after the date hereof and which are unfilled on the Contribution Closing Date;

(xiii) the unfilled purchase orders and invoices entered into on or prior to or after the date hereof and which are unfilled on the Contribution Closing Date, including, without limitation, purchase commitments for materials and other services and personal property leases;

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

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

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

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

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

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

(b) Notwithstanding anything in Section 2.01(a) to the contrary, the Sellers shall not sell, convey, assign, transfer or deliver, nor cause to be sold, conveyed, assigned, transferred or delivered, to Newco, and Newco shall not purchase, and the Purchased Assets shall not include, the Sellers' right, title and interest to any of the following assets of the Sellers (the "Excluded Assets"):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xv) the real property located at 2401, 2221, 2201 and 2101 Aluminum Ave., Hampton, Virginia;

(xvi) the Excluded IP Agreements; and

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

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

(i) all post-Petition Date Liabilities of the Sellers accrued on the Closing Statement of Net Assets;

(ii) all Liabilities of the Sellers, arising under, or relating to performance under, the Designated Contracts not excluded under Section 2.01(b)(xi), other than Cure Costs in respect thereof or otherwise excluded pursuant to Section 2.02(b)(xiii);

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

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

(v) all obligations for returns, credits, discounts, merchandise certificates, gift certificates and allowances relating to goods and products sold or orders accepted as of the Contribution Closing Date to the extent related exclusively to the Business and incurred by the Sellers in the Ordinary Course of the Business;

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

(vii) all Environmental Liabilities to the extent relating to the Transferred Real Property;

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

(ix) all Liabilities related to the Transferred Employees incurred prior to the Contribution Closing Date to the extent that the provisions of Article VII provide that Newco is to assume responsibility therefor; and

(x) all Liabilities arising out of or under the Employee Plans but only if and to the extent assumed by Newco pursuant to Article VII.

(b) The Sellers shall retain, and shall be responsible for paying, performing and discharging when due, and Newco shall not assume or have any responsibility for any Liabilities of any Seller or any of its Affiliates of any kind or nature (other than the Assumed Liabilities), including, without limitation, the following Liabilities (the "Excluded Liabilities"):

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

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

(iii) all Cure Costs;

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

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

(vi) all litigation claims against the Sellers arising pre-Contribution Closing;

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

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

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

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

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

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

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

(xiv) all Environmental Liabilities not relating to the Transferred Real Property; and

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

SECTION 2.03. Purchase Price. Subject to the adjustments set forth in Section 2.13, the purchase price for the Shares shall be Twenty-Eight Million, Six Hundred Thousand Dollars ($28,600,000) in cash (the "Purchase Price").

SECTION 2.04. Contract Assumption. (a) Section 2.04 of the Disclosure Schedule sets forth a list of all executory Contracts and unexpired leases to which one or more of the Sellers are party and which are to be included in the Purchased Assets (the "Designated Contracts"). From and after the date hereof until seven (7) days prior to the Contribution Closing, the Sellers shall make such deletions to Section 2.04 of the Disclosure Schedule as the Purchaser shall request in writing and shall give to counsel to the Committee prompt notice of any such deletion; provided however, that the Sellers shall not be required to delete any Designated Contract that is dated later than the Petition Date; provided further that the Purchaser shall pay to the Sellers any damage claim associated with the rejection of such Contract in excess of the Cure Costs associated with such Contract. Any such deleted Contract shall be deemed to no longer be a Designated Contract. From and after the date hereof until seven (7) days prior to the Contribution Closing, the Sellers shall make such additions to Section 2.04 of the Disclosure Schedule as the Purchaser shall request and the Sellers shall give to counsel to the Committee prompt notice of any such addition; provided that the Purchaser shall pay to the Sellers all Cure Costs associated with such Contract. Any such added Contract shall be deemed to be a Designated Contract. At the Contribution Closing, subject to the approval of the Bankruptcy Court and except to the extent any such Designated Contracts are deemed Excluded Assets by virtue of Section 2.01(b)(xi) above, the Sellers shall assume and then assign to Newco, and Newco shall assume from the Sellers, the Designated Contracts. If the Closing does not occur as set forth in Section 2.10, the Designated Contracts shall be transferred from Newco to the Sellers as if such Designated Contracts had not been assumed and assigned by the Sellers to Newco. Except as otherwise provided in this Section 2.04, the Sellers shall make provision for the payment of, and be responsible for and bear, the cure and reinstatement costs and expenses for services rendered before the Contribution Closing Date (collectively, the "Cure Costs") and relating to the assumption and assignment of the Designated Contracts. The Purchaser (on its

behalf and on behalf of Newco) shall provide such support for and evidence of adequate assurance of future performance in connection with the approval by the Bankruptcy Court of the assumption and assignment of the Designated Contracts.

(b) From and after the Contribution Closing and until the date of entry of an order by the Bankruptcy Court rejecting a Contract that is deemed to be an Excluded Asset by operation of Section 2.01(b)(xi), the Sellers shall use commercially reasonable efforts to procure the consent of the counter-party to such Contract; provided that the Purchaser shall be responsible for any cost or other payments payable to the counter-party to such Contract in excess of the Cure Costs associated with such Contract and related to procuring such consent. Upon obtaining such consent such Contract shall be deemed to be a Designated Contract and the Sellers shall take commercially reasonable efforts to assign such Contract to Newco.

SECTION 2.05. Cure Costs. Other than by written agreement of the Purchaser or as set forth in Section 2.04 of this Agreement, the satisfaction of any and all Cure Costs is and shall remain the obligation of the Sellers, and neither Newco nor the Purchaser shall have any responsibility therefor, whether to any third party or otherwise. The Sellers are responsible for the verification of all Cure Costs, including all administrative responsibilities associated therewith, and shall use their reasonable best efforts to establish the proper Cure Costs, if any, for each Designated Contract, including the filing and prosecution of any and all appropriate proceedings in the Bankruptcy Court. Notwithstanding any provision in this Agreement to the contrary, from and after the date hereof through the Closing Date: (i) the Sellers will not reject, without prior consent of the Purchaser, any Designated Contract, (ii) the Sellers will consult with the Purchaser and obtain the prior written consent of the Purchaser (not to be unreasonably withheld) with respect to the modification or restructuring of any Designated Contract and (iii) the Sellers will consult with the Purchaser and obtain the prior written consent of the Purchaser (not to be unreasonably withheld) with respect to entering in to any new Contracts (and any such new Contract shall be deemed to be a Designated Contract).

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

SECTION 2.07. Contribution Closing; Stock Transfer. (a) Subject to the terms and conditions of this Agreement, the sale and purchase of the Purchased Assets and the assumption of the Assumed Liabilities contemplated by this Agreement shall take place at a closing (the "Contribution Closing") to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York at 10:00 a.m. New York time on the first Business Day immediately following the entry by the Bankruptcy Court of the Amended Approval Order or at such other time or on such other date as the Sellers and the Purchaser may mutually agree upon in writing (the date of the Contribution Closing being herein referred to as the

"Contribution Closing Date"). The Contribution Closing shall be effective as of 12:01 a.m. on the Contribution Closing Date.

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

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

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

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

(b) executed counterparts of the Assumption Agreement; and

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

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

(a) stock certificates evidencing the Shares;

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

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

SECTION 2.10. Closing. Subject to the terms and conditions of this Agreement, the sale and purchase of the Shares contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York immediately following the Stock Transfer or on such other date as the Sellers and the Purchaser may mutually agree upon in writing (the date of the Closing being

herein referred to as the "Closing Date"). The Closing shall be effective as of 12:01 a.m. on the Closing Date.

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

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

(b) a receipt for the Purchase Price;

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

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

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

(f) a counterpart of the credit card processing agreement substantially in the form attached hereto as Exhibit 2.11(f) executed by JPMorgan Chase Bank, Chase Merchant Services L.L.C. or their Affiliate; and

(g) the statement setting forth the Estimated Closing Net Current Assets contemplated by Section 2.13(b).

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

(a) the Purchase Price less an amount equal to the Purchaser's Deposit by wire transfer in immediately available funds to the Purchase Price Bank Account;

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

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

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

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

(a) Closing Date Adjustment. Not more than five (5) Business Days, but in no event less than two (2) Business Days, before the Closing Date, the Sellers will, in good faith and in accordance with the principles specified in Section 2.13(b), prepare an estimated statement of current assets less current Liabilities of the Business as of the Closing Date (the "Estimated Closing Net Current Assets"), which statement shall be certified by an appropriate officer of NNI. At the Closing, if the Estimated Closing Net Current Assets are less than the Reference Net Current Assets, then the Purchase Price payable at the Closing shall be decreased, dollar-for-dollar, in an amount equal to the amount of such deficiency. If the Estimated Closing Net Current Assets exceed the Reference Net Current Assets, then the Purchase Price payable at the Closing shall be increased, dollar-for-dollar, in an amount equal to the amount of such excess.

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

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

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

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

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

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

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

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

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

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

(c) Disputes. (i) The Sellers may dispute any amounts reflected on the Closing Statement of Net Assets and statement of Adjusted Closing Net Current Assets, but only on the basis of their belief that such amounts were not arrived at in accordance with Section 2.13(b) or resulted from a mistake of fact or other inaccuracy, and shall have the right to have the Sellers' accountants ("Sellers' Accountants") perform a review of the Closing Statement of Net Assets and the statement of Adjusted Closing Net Current Assets, the working papers relating thereto, and the books and records of Newco; provided, however, that the Sellers shall have notified the Purchaser in writing of each disputed item, specifying the amount thereof in dispute and setting forth, in reasonable detail, the basis for such dispute, within 45 days of the Purchaser's delivery of the Closing Statement of Net Assets and statement of Adjusted Closing Net Current Assets under Section 2.13(b)(i) to the Sellers. In the event of such a dispute, the Sellers and the Purchaser shall attempt to reconcile their differences. If the Sellers and the Purchaser are unable to reach a resolution with such effect within 30 days after receipt by the Purchaser of the Sellers' written notice of dispute, the Sellers and the Purchaser shall submit the items remaining in dispute for resolution to the Sellers' Accountants and the Purchaser's Accountants, who shall attempt to reconcile the remaining differences, and any resolution by them as to any such remaining disputed amounts shall be final and binding on the parties hereto. If the Sellers' Accountants and the Purchaser's Accountants are unable to reach a resolution with such effect within 30 days after submission to them of such items remaining in dispute, the Sellers and the Purchaser shall submit the items then remaining in dispute for resolution to an accounting firm that is independent of the Purchaser and the Sellers and is also of national reputation mutually acceptable to the Sellers and the Purchaser (such accounting firm being referred to herein as the "Independent Accounting Firm"), which shall, as soon as practicable after such submission, determine and report to the Sellers and the Purchaser upon such remaining disputed items, and such report shall be final and binding on the Sellers and the Purchaser. The fees and disbursements of the Independent Accounting Firm shall be allocated between the Purchaser, on the one hand, and the Sellers, on the other hand, in the same proportion as the aggregate amount of such

remaining disputed items so submitted to the Independent Accounting Firm that is unsuccessfully disputed by each such party (as finally determined by the Independent Accounting Firm) bears to the total amount of such remaining disputed items so submitted.

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

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

(i) If Adjusted Closing Net Current Assets exceed the Estimated Closing Net Current Assets, then the Purchaser shall pay to Spiegel, dollar-for-dollar, an amount equal to such excess by wire transfer in immediately available funds.

(ii) If Adjusted Closing Net Current Assets are less than the Estimated Net Current Assets, then Spiegel shall pay to the Purchaser, dollar-for-dollar, an amount equal to the difference by wire transfer in immediately available funds.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

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

SECTION 3.01. Organization, Authority and Qualification of the Sellers. Except as a result of the commencement of the Chapter 11 Cases, such Seller is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all necessary corporate power and authority, subject to obtaining the approval of the Bankruptcy Court, to enter into this Agreement and the Ancillary Agreements, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Such Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification necessary, except to the extent that the failure to be so licensed, qualified or in good standing (a) has resulted from the commencement or continuance of the Chapter 11 Cases, or (b) would not (i) adversely affect the ability of such Seller to carry out its

obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements, or (ii) have a Material Adverse Effect. Subject to obtaining the approval of the Bankruptcy Court, the execution and delivery of this Agreement and the Ancillary Agreements by such Seller, the performance by such Seller of its obligations hereunder and thereunder and the consummation by such Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of such Seller. This Agreement has been, and upon their execution the Ancillary Agreements shall have been, duly executed and delivered by such Seller, and (assuming due authorization, execution and delivery by the Purchaser) following the approval by the Bankruptcy Court of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, this Agreement and the Ancillary Agreements shall constitute legal, valid and binding obligations of such Seller, enforceable against such Seller in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally and subject to general principles of equity.

SECTION 3.02. No Conflict. Subject to obtaining the approval of the Bankruptcy Court and assuming that all consents, approvals, authorizations and other actions described in Section 3.03 have been obtained, all filings and notifications listed in Section 3.03 of the Disclosure Schedule have been made and any applicable waiting period has expired or been terminated, and except as may result from any facts or circumstances relating solely to the Purchaser, the execution, delivery and performance by such Seller of this Agreement and the Ancillary Agreements to which such Seller is a party does not and will not (a) violate, conflict with or result in the breach of the organizational documents or bylaws of such Seller, (b) conflict with or violate any Law or Governmental Order applicable to such Seller or (c) except as set forth in Section 3.02(c) of the Disclosure Schedule, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, acceleration or cancellation of, any note, bond, mortgage or indenture, Contract, lease, sublease, license, permit, franchise or other instrument or arrangement to which such Seller is a party, except to the extent any of the foregoing are not enforceable due to operation of applicable bankruptcy Law or the Approval Order, and in the case of clauses (b) and (c), as would not (i) materially and adversely affect the ability of such Seller to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements or (ii) otherwise have a Material Adverse Effect.

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

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

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

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

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

studies or analyses generated within the last two years and in such Seller's possession that relate to the Purchased Assets.

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

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

(b) To the Sellers' Knowledge, except as set forth in Section 3.08(b) of the Disclosure Schedule, (i) no Person is engaging in any activity that infringes any Transferred Intellectual Property, (ii) no claim has been asserted to any of the Sellers that the use of any Transferred Intellectual Property or the rights under the Transferred IP Agreements infringes the patents, trademarks, or copyrights of any third party, (iii) the operation of the Business as currently conducted does not infringe the Intellectual Property rights of any Person and (iv) no such Intellectual Property is involved in any material respect in any opposition, invalidation, cancellation or similar proceeding, and there is no pending, or, to the Knowledge of the Sellers, threatened claim or litigation contesting the validity, ownership or right to use, sell, license or dispose of any such Intellectual Property.

(c) Except as would not have a Material Adverse Effect, with respect to each item of Transferred Intellectual Property, NNI is the owner of the entire right, title and interest in and to such Transferred Intellectual Property.

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

SECTION 3.09. Real Property. (a) The Sellers have provided copies of the title reports in respect of all Transferred Real Property. To the Sellers' Knowledge, there are no Liens on the Transferred Real Property other than the Liens described in such title reports.

(b) Section 3.09(b) of the Disclosure Schedule lists all real property leased by a Seller ("Leased Real Property"), the street address of each parcel of Leased Real Property, the current occupant (if different from the lessee) and the identity of the lessor, the lessee and the date of the corresponding lease. The Sellers have delivered to the Purchaser true and complete copies of the leases in effect at the date hereof relating to the Leased Real Property, and there has

not been any sublease or assignment entered into by any of the Sellers in respect of the leases relating to the Leased Real Property.

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

SECTION 3.11. Employee Benefits Matters. (a) With respect to each employee benefit plan, program, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in section 3(3) of ERISA) maintained or contributed to by any of the Sellers for the benefit of any current employees of the Business (collectively, the "Employees") or with respect to which any of the Sellers or Newco could incur liability under section 4069 of ERISA (collectively, the "Employee Plans"), the Sellers have made available to the Purchaser a true and correct copy of (i) the most recent annual report (Form 5500) filed with the IRS, (ii) each such Employee Plan, (iii) each trust agreement relating to such Employee Plan, (iv) the most recent summary plan description for each Employee Plan for which a summary plan description is required, (v) the most recent actuarial report or valuation relating to an Employee Plan subject to Title IV of ERISA and (vi) the most recent determination letter, if any, issued by the IRS with respect to any Employee Plan qualified or intended to be qualified under section 401(a) of the Tax Code. Schedule 3.11(a) of the Disclosure Schedule sets forth all of the Employee Plans.

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

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

SECTION 3.12. Taxes. Except as set forth in Section 3.12 of the Disclosure Schedule and except for matters that would not have a Material Adverse Effect, to the Sellers'

Knowledge, (a) all Tax Returns in respect of Taxes (other than in respect of income Taxes of any kind or nature) required to have been filed with respect to the Business or the Purchased Assets have been timely filed (taking into account any extension of time to file granted or obtained), (b) all Taxes due and payable on or prior to the date hereof have been paid or will be timely paid, (c) such Seller has not received from any Governmental Authority any written notice of proposed adjustment, deficiency or underpayment of any Taxes (other than in respect of income Taxes of any kind or nature) relating to the Business or the Purchased Assets, other than a proposed adjustment, deficiency or adjustment that has been satisfied by payment or settlement or withdrawn and (d) there are no Tax Liens on any of the Purchased Assets (other than the Real Property Liens).

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

(i) all material Contracts and agreements that limit or purport to limit the ability of the Business to compete in any line of business or with any Person or in any geographic area or during any period of time;

(ii) all leases in respect of Leased Real Property;

(iii) that certain agreement with R.R. Donnelly & Sons for printing and electronic publishing services, dated May 3, 2003 and any other executory contracts for the printing or publishing, posting or mailing of advertising materials for the Business;

(iv) the Private Label Credit Card Program Agreement, dated May 2, 2003 by and between Spiegel, Newport News and World Financial Network National Bank and any other executory contracts providing for any credit programs for customers of the Business;

(v) all Transferred IP Agreements other than licenses of commercially available computer software;

(vi) all Contracts and agreements between or among the Sellers, to the extent relating to the Business (other than employee-related Contracts and Contracts for the types of services contemplated by the Transition Services Agreement), and any Affiliate of the Sellers;

(vii) all Contracts pursuant to which a Seller made disbursements to vendors, or accruals in respect thereof, if any, in excess of $100,000 in connection with the Business during the year ended December 31, 2003; and

(viii) all employment Contracts with members of senior management of the Business that are not terminable without Liability;

(ix) all Contracts with respect to the establishment or maintenance of any customer lists or customer databases;

(x) all material Contracts with respect to the shipping of the Business' goods and services;

(xi) all material buying Contracts;

(xii) the DIP Loan Agreement; and

(xiii) the Contracts specified in Section 2.04 of the Disclosure Schedule as of the date hereof.

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

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

SECTION 3.14. Absence of Certain Changes, Events and Conditions. Since January 4, 2004, except as set forth in Section 3.14 of the Disclosure Schedule, the Sellers have not:

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

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

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

(d) suffered a Material Adverse Effect;

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

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

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

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

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

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

SECTION 3.19. Capitalization; Ownership of Shares. As of the Closing, the Shares shall be validly issued, fully paid and non-assessable and shall not be issued in violation of any preemptive rights. As of the Closing, there shall be no options, warrants, convertible securities or other rights, agreements, arrangements or commitments relating to the shares of Newco Common Stock or (other than as contemplated by this Agreement) obligating any of Spiegel, the Sellers or Newco to sell or issue any shares of Newco Common Stock, or any other interest in, Newco. As of the Closing, the Shares shall constitute all the issued and outstanding

capital stock of Newco, and at the Closing, Spiegel shall convey good and marketable title to the Shares free and clear of all Liens.

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

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

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

SECTION 4.02. No Conflict. Subject to obtaining the approval of the Bankruptcy Court and assuming that all consents, approvals, authorizations and other actions referred to in Section 4.03 have been obtained, the execution, delivery and performance by the Purchaser of this Agreement do not and will not (a) violate, conflict with or result in the breach of any provision of the certificate of incorporation or bylaws (or similar organizational documents) of the Purchaser, (b) conflict with or violate any Law or Governmental Order applicable to the Purchaser or its respective assets, properties or businesses or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, Contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Purchaser is a party, except, in the

case of clauses (b) and (c), as would not materially adversely affect the ability of the Purchaser to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement.

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

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

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

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

SECTION 4.07. Independent Investigation; Sellers' Representations. The Purchaser has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, software, technology and prospects of the Business, including, without limitation, the Purchased Assets and the Assumed Liabilities, which investigation, review and analysis were done by the Purchaser and its Affiliates and representatives. The Purchaser acknowledges that it and its representatives have been provided adequate access to the personnel, properties, premises and records of the Business for such purpose. In entering into this Agreement, the Purchaser acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any factual representations or opinions of the Sellers or their Affiliates or their representatives (except the specific representations and warranties of the Sellers set forth in Article III). The Purchaser hereby agrees and acknowledges that, other than the representations and warranties made in Article III, none of the Sellers, their Affiliates, or any of their respective officers, directors, employees or representatives make or have made any representation or warranty, express or implied, at law or in equity, with respect to Newco or the Purchased Assets or the Business

including as to (i) merchantability or fitness for any particular use or purpose, (ii) the operation of the Business by Newco or the Purchaser after the Closing in any manner other than as used and operated by the Sellers or (iii) the probable success or profitability of the Business after the Closing. The Purchaser acknowledges that the representations and warranties set forth in this Agreement are made solely for purposes of disclosure and establishing conditions to the Closing and shall not survive the Closing. None of the Sellers, its Affiliates, or any of their respective officers, directors, employees or representatives will have or be subject to any liability or indemnification obligation to Newco or the Purchaser or to any other Person resulting from the distribution to the Purchaser, its Affiliates or representatives of, or the Purchaser's use of, any information relating to the Business, including the confidential information memorandum dated September 2003 distributed to selected parties by MBLY and any information, documents or material made available to the Purchaser, whether orally or in writing, in certain "data rooms", management presentations, functional "break-out" discussions, responses to questions submitted on behalf of the Purchaser or in any other form in expectation of the transactions contemplated by this Agreement.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.01. Conduct of Business Prior to the Closing. Each of the Sellers (and, following the Stock Transfer, Spiegel, in case of clauses (ii) or (iii)) covenants and agrees that, except as required by the Bankruptcy Court or applicable Law, as may otherwise be approved in advance in writing by the Purchaser, or as described in Section 5.01 of the Disclosure Schedule, between the date hereof and the Closing, it (to the extent it relates to the Business) shall use its commercially reasonable efforts in the context of its Chapter 11 Case (i) to conduct (and, following the Stock Transfer, cause Newco to conduct), its businesses in the ordinary course in all material respects, (ii) to preserve (and, following the Stock Transfer cause Newco to preserve), intact in all material respects the business organization of the Business and (iii) promptly, in the case of the Sellers, inform the Purchaser in writing of any material variances from the representations and warranties of the Sellers contained herein or any breach of any covenant or agreement hereunder by a Seller or Spiegel. Except as permitted or required by the DIP Loan Agreement, or required by the Bankruptcy Court or applicable Law, or as described in Section 5.01 of the Disclosure Schedule, each Seller (and, following the Stock Transfer, Spiegel) covenants and agrees that, between the date hereof and the Closing, without the prior written consent of the Purchaser, it will not, and will cause Newco not to, in respect of any Purchased Assets or Assumed Liabilities:

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

(b) except in connection with the Contribution, make any redemption, repurchase or other acquisition of shares of capital stock, or make any declaration, setting aside or

payment of any dividend or other distribution (whether in cash, stock or property) with respect to its capital stock;

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

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

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

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

SECTION 5.02. Access to Information. (a) From the date hereof until the Closing, upon reasonable notice, each Seller (and, following the Stock Transfer, Spiegel) shall, and shall cause its respective officers, directors, employees, agents, representatives, accountants and counsel to, (i) afford the Purchaser and its financing sources and their authorized representatives reasonable access to the offices, properties and books and records of such Seller (to the extent relating to the Business and Newco), as well as all other information concerning the Business as any of them may reasonably request and (ii) furnish to the officers, employees, authorized agents and representatives of the Purchaser such additional financial and operating data and other information regarding the Business (or copies thereof) as the Purchaser may from time to time reasonably request; provided however that any such access or furnishing of information shall be conducted at the Purchaser's expense, during normal business hours, under the supervision of such Seller's (or, following the Stock Transfer, Spiegel is) personnel and in such a manner as not to interfere with the normal operations of the Business.

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

SECTION 5.03. Confidentiality. (a) The terms of the letter agreement dated as of September 25, 2003 and attached hereto as Appendix A (the "Confidentiality Agreement") among the Sellers and the Purchaser are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement

and the obligations of the Purchaser under this Section 5.03 shall terminate; provided, however, that the Confidentiality Agreement shall terminate only in respect of that portion of the Confidential Information (as defined in the Confidentiality Agreement) exclusively relating to the transactions contemplated by this Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect.

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

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

SECTION 5.04. Regulatory and Other Authorizations; Notices and Consents. (a) The Purchaser and each of the Sellers shall use all reasonable efforts to promptly obtain all authorizations, consents, orders and approvals of all Governmental Authorities and officials that may be or become necessary for their (and, in the case of the Sellers, Spiegel's) execution and delivery of, and the performance of their (and, in the case of the Sellers, Spiegel's) obligations pursuant to, this Agreement and the Ancillary Agreements and will cooperate fully with each other in promptly seeking to obtain all such authorizations, consents, orders and approvals. Each party hereto agrees to make promptly its respective filings, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by this Agreement within ten Business Days after the earlier of (i) the execution of this Agreement and (ii) the date of the Approval Order and to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested pursuant to the HSR Act. None of the Sellers or Newco or their Affiliates shall be required to pay any fees or other payments to any Governmental Authorities in order to obtain any such authorization, consent, order or approval.

(b) Without limiting the generality of the undertakings pursuant to Section 5.04(a), each of the parties hereto agrees to use all reasonable efforts and to take any and all reasonable steps necessary to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation Law that may be asserted by any United States or non-United States governmental antitrust authority or any other competent Governmental Authority so as to enable the parties hereto to expeditiously close the transactions contemplated hereby, including proposing, negotiating, committing to and effecting, by consent, decree, hold separate orders, or otherwise, the sale, divesture or disposition of such of its assets, properties or businesses or of the assets, properties or businesses to be acquired by it pursuant hereto as are required to be divested in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding, which would

otherwise have the effect of materially delaying or preventing the consummation of the transactions contemplated hereby; provided, however, the Purchaser shall not be required to undertake any such proposed sale, divestiture or disposition which would have a Material Adverse Effect on Newco or Newco's operation of the Business or the Purchased Assets after giving effect to such sale, divestiture or disposition. In addition, each of parties hereto agrees to use all reasonable efforts to defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any decree, order or judgment (whether temporary, preliminary or permanent) that would prevent the Closing as expeditiously as possible.

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

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

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

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

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

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

SECTION 5.10. Conveyance Taxes. Each of the Purchaser, on the one hand, and the Sellers, on the other hand, shall assume 50% of any liability for the payment of any Conveyance Taxes incurred as a result of the consummation of the Closing, it being understood that the Sellers shall use their commercially reasonable efforts to obtain a waiver of such

Conveyance Taxes; provided that the Purchaser shall be liable for 100% of all Conveyance Taxes in excess of the Conveyance Taxes that would have been payable had a Closing (as defined in the Asset Purchase Agreement) of the transactions under the Asset Purchase Agreement occurred on the Closing Date (as defined in the Asset Purchase Agreement).

SECTION 5.11. Bankruptcy Court Approvals. (a) On April 6, 2004, the Sellers filed with the Bankruptcy Court a motion in form and substance reasonably satisfactory to the Sellers and the Purchaser, for (i) a bidding procedures order in form and substance reasonably satisfactory to the Sellers and the Purchaser, a copy of which is attached as Appendix B hereto (the "Bidding Procedures Order"), and (ii) an order substantially in the form of Appendix C hereto or otherwise in form and substance reasonably satisfactory to the Sellers and the Purchaser (the "Approval Order"), upon no less than 20 days' notice (or such shorter time period as the Bankruptcy Court may approve) and a hearing, authorizing each of the Sellers to enter into and perform all of its respective obligations pursuant to the Asset Purchase Agreement and the transactions contemplated thereby, including, without limitation (a) the sale, conveyance, assignment, transfer and delivery by the Sellers to the Purchaser of the Purchased Assets, free and clear of all Liens other than the Assumed Liabilities and, in the case of the Transferred Real Property, the Real Property Liens and (b) the assumption and assignment of the executory contracts and unexpired leases to be assumed and assigned pursuant to the terms hereof, and which order shall contain, inter alia, a finding that the Purchaser has acted in "good faith" within the meaning of section 363(m) of the Bankruptcy Code.

(b) No later than five (5) Business Days after the date hereof, Spiegel and the Sellers shall file with the Bankruptcy Court a motion in form and substance reasonably satisfactory to Spiegel, the Sellers and the Purchaser for an order substantially in the form of Appendix D hereto or otherwise in form and substance reasonably satisfactory to Spiegel, the Sellers and the Purchaser (the "Amended Approval Order"). Spiegel and the Sellers agree to use their reasonable best efforts to obtain the Amended Approval Order. The Purchaser understands and agrees that until the Bankruptcy Court has approved this Agreement and authorized Spiegel and the Sellers to consummate the transactions contemplated hereby, the Sellers' and Spiegel's obligations hereunder to consummate such transactions are subject to such approval.

SECTION 5.12. Purchaser's Deposit. On April 6, 2004, the Purchaser made an initial good faith deposit in the form of a certified check (or other form acceptable to the Sellers in its sole discretion) payable to the Sellers in an amount equal to $75,000 (the "Initial Purchaser's Deposit"). On or about April 21, 2004, the Purchaser made another good faith deposit in the form of a certified check (or other form acceptable to the Sellers in its sole discretion) payable to the order of the Sellers in an amount equal to $425,000 (the "Balance of the Purchaser's Deposit"; the sum of the Initial Purchaser's Deposit and the Balance of the Purchaser's Deposit being called the "Purchaser's Deposit").

SECTION 5.13. Other Covenants; Conditions Precedent. The Purchaser shall use all reasonable efforts to (i) assist the Sellers and Spiegel in obtaining the approval of the Bankruptcy Court and any other required consents to the transactions contemplated hereby and (ii) cause the conditions precedent to the consummation of the transactions contemplated hereby to be satisfied.

SECTION 5.14. Permission to Use Corporate Names. As requested by the Purchaser, immediately after the date hereof, each of the Sellers shall execute all forms or certifications required in order to permit the Purchaser or one or more of its Affiliates to use the words "Newport News" in their corporate and trade names as of the Closing. The parties hereto acknowledge that as of the Closing, Newco shall have acquired rights to the name "Newport News" and shall have all exclusive rights to use the name "Newport News" in its and its Affiliates' corporate and trade names. To the extent that the Sellers desire to continue using the "Newport News" name solely in their corporate names in connection with the consummation of the Sellers' reorganization, the Sellers will do so consistent with an order of the Bankruptcy Court.

SECTION 5.15. Trademarks and Images. The Purchaser consents (and shall cause Newco and its Affiliates to consent) to Spiegel Catalog's use, following the Closing until April 1, 2005, of the trademarks and related images set forth on Section 5.15 of the Disclosure Schedule, solely as currently contemplated in Spiegel's Spring, Fall and Winter 2004 collections (the "Trademarks and Images"), including, without limitation, use of the Trademarks and Images in Spiegel catalogs and Spiegel internet sites and in connection with selling products thereunder (the "Licensed Rights"). The Licensed Rights are non-exclusive and non-assignable, except that the Licensed Rights may be assigned in connection with a sale of all or substantially all of the assets of Spiegel Catalog. Prior to discounting any products (other than (i) those products that have been discounted in the ordinary course of Spiegel's business prior to the Closing Date which may continue to be discounted at the same rate and (ii) those products that are being discounted by the Purchaser, which products Spiegel may discount at the same rate as the Purchaser) sold in connection with the Trademarks and Images ("Discount Products"), Spiegel agrees to give the Purchaser a right to purchase Spiegel's inventory of Discount Products at Spiegel's first cost as indicated on Section 5.15 of the Disclosure Schedule. To the extent the Purchaser does not acquire any Discount Products within three Business Days after receiving written notice of such offer, Spiegel may liquidate the Discount Products in any manner it so chooses. Each proposed use by Spiegel of the Trademarks and Images, including uses in catalogs, marketing, promotional, advertising and other creative materials, shall be submitted to the Purchaser in writing (including electronically, followed up by a facsimile or delivered hard copy) for approval, which approval shall not be unreasonably withheld. If the Purchaser shall not deliver to Spiegel written notice of disapproval within two Business Days after its receipt of Spiegel's written submission, then the Purchaser shall be deemed to have granted its approval to Spiegel.

SECTION 5.16. Bank Accounts. The Sellers agree that no transfers of cash from any of the Sellers or Newco to any of their Affiliates will take place on the Contribution Closing Date or the Closing Date with respect to the Bank Accounts.

SECTION 5.17. Newco. Prior to the Contribution Closing, the Sellers shall organize Newco under the Laws of the State of Delaware. The Sellers shall cause (a) the certificate of incorporation of Newco to be duly adopted substantially in the form of Exhibit 5.17(a) and the bylaws of Newco to be duly adopted substantially in the form of Exhibit 5.17(b).

SECTION 5.18. Purchaser Guaranty. (a) From and after the Closing, the Purchaser hereby unconditionally, irrevocably and absolutely guarantees to Spiegel, the Sellers

and the Sellers ' Affiliates the due and punctual performance and discharge by Newco of the Assumed Liabilities, the obligations under the Designated Contracts and any other obligations of Newco under this Agreement or the Ancillary Agreements (collectively, the "Obligations"). The guarantee under this Section 5.18 is a guarantee of timely payment and performance of the Obligations and not merely of collection.

(b) To the fullest extent permitted by applicable Law, the obligations of the Purchaser hereunder shall remain in full force and effect without regard to, and shall not be affected or impaired by, (i) any change in the corporate structure or ownership of Newco or the bankruptcy, insolvency, reorganization, dissolution, liquidation, or other similar proceeding relating to Newco or any Affiliate of either Newco or the Purchaser or (ii) any neglect, delay, omission, failure or refusal of Newco, the Purchaser, Spiegel or the Sellers to take or prosecute any action in connection with this Agreement or any other agreement, delivered in connection herewith. In connection with this Section 5.18, the Purchaser unconditionally waives: (i) any right to receive demands, protests, or other notices of any kind or character whatsoever, as the same may pertain to Newco, (ii) any right to require the Sellers or Spiegel to proceed first against Newco or to exhaust any security held by the Sellers or Spiegel or to pursue any other remedy, (iii) any defense based upon an election of remedies by the Sellers or Spiegel and (iv) all suretyship and other defenses of every kind and nature; provided, that the Purchaser shall be entitled to avail itself of and assert any other defenses or offsets that could be asserted by Newco.

(c) The obligations of the Purchaser under this Section 5.18 shall be automatically reinstated if and to the extent that for any reason any payment or other performance by or on behalf of Newco in respect of the Obligations are rescinded or must be otherwise restored, and the Purchaser agrees that it will indemnify Spiegel or the Sellers on demand for all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Sellers in connection with such rescission or restoration. If in connection with the foregoing, any of the Sellers or Spiegel is required to refund part or all of any payment of Newco, such payment by the Sellers or Spiegel shall not constitute a release of the Purchaser from any liability hereunder, and the Purchaser's liability hereunder shall be reinstated to the fullest extent allowed under applicable Law and shall not be construed to be diminished in any manner.

ARTICLE VI

BIDDING PROCEDURES

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

(a) The Sellers will (i) in consultation with representatives of the official committee of unsecured creditors appointed in the Chapter 11 Cases (collectively, the "Committee") determine whether any Person is a Qualified Overbidder, (ii) coordinate the efforts of Qualified Overbidders in conducting their respective due diligence

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

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

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

A Qualified Overbidder who desires to make a bid must deliver its good faith deposit via wire transfer (or other form acceptable to the Sellers in their sole discretion) to Account No. 201167905 at Bank ABA No. 061000104 in an amount equal to or greater than $1,850,000 (such amount representing the sum of (w) $500,000, the amount of the Purchaser's Deposit; plus (x) $750,000, the amount of the Break-up Fee; plus (y) $350,000, the maximum amount of the Expense Reimbursement; plus (z) $250,000, the Overbid Increment) (the "Good Faith Deposit") and must deliver a copy of its Required Bid Documents to each of (i) Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attention: Andrew V. Tenzer, Esq. (atenzer@shearman.com), (ii) Miller Buckfire Lewis Ying & Co., 250 Park Avenue, 19th Floor, New York, New York 10177, Attention: Stuart Erickson (stuart.erickson@mblco.com), (iii) Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, New York 10112, Attention: David LeMay, Esq. (dlemay@chadbourne.com), (iv) Newport News, Inc., 711 3rd Avenue, New York, New York 10017, Attention: Greg Powell, CFO (Greg_Powell@newport-news.com), (v) the Purchaser and its counsel, at the notice addresses specified in Section 12.02 hereof and (vi) Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022, Attention: Gary B. Bernstein, Esq. (gbernstein@kayescholer.com) so as to be

received not later than Thursday, May 6, 2004 at 4:00 p.m. (prevailing Eastern time) (the "Bid Deadline").

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

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

(i) a written offer stating that:

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

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

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

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

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

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

(i) the Sellers must determine, after consultation with their financial advisors and the Committee, that the bid (A) is not materially more burdensome

or conditional than the bid set forth in this Agreement and (B) has a value greater than or equal to the sum of (x) $26,350,000 (which amount represents the sum of (i) the Purchase Price payable by the Purchaser under this Agreement, (ii) $750,000, the amount of the Break-up Fee, (iii) $250,000, the amount of the Overbid Increment, and (iv) $350,000, the maximum amount of the Expense Reimbursement), plus (y) the consideration to the Sellers arising from the assumption of the Assumed Liabilities under this Agreement, plus (z) all other consideration to the Sellers under this Agreement;

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

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

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

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

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

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

(b) The Auction, if required, will commence at 10:00 a.m. (prevailing Eastern time) on Tuesday, May 11, 2004, before the Honorable Cornelius Blackshear, United States Bankruptcy Judge for the Southern District of New York, United States Bankruptcy Court, Courtroom 601, One Bowling Green, New York, New York 10004, or at such other time or place determined by the Bankruptcy Court.

(c) Only the Purchaser, the Sellers and their advisors, Qualified Overbidders who have submitted Qualified Overbids, the United States trustee, the Committee and representatives

of the Sellers' postpetition secured lenders will be entitled to attend, participate and be heard at the Auction, and only the Purchaser and Qualified Overbidders will be entitled to make any subsequent Qualified Overbids at the Auction.

(d) During the Auction, bidding will begin at the purchase price stated in the highest or otherwise best Qualified Overbid (taking into account the Break-up Fee and Expense Reimbursement), and will subsequently continue in minimum increments of at least $250,000 higher than the previous Qualified Overbid (the "Overbid Increment"). All subsequent bids submitted by the Purchaser shall be "cash only" and shall not be deemed to include a credit in an amount equal to the sum of the Break-up Fee and the maximum amount of the Expense Reimbursement. No entity, including, without limitation, the Stalking Horse) may object to any overbid not made by the Stalking Horse on the grounds that after deduction of the Break-up Fee and Expense Reimbursement, such overbid is not the highest bid.

(e) Bidding at the Auction will continue until such time as the highest or otherwise best Qualified Overbid is determined. Upon conclusion of the Auction, the Sellers, in consultation with the Committee, will (i) review each Qualified Overbid on the basis of financial and contractual terms and other factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identify the highest or otherwise best offer for the Purchased Assets (the "Successful Bid") and the second highest and best offer for the purchase of the Purchased Assets (the "Back-up Bid").

SECTION 6.04. [Intentionally Omitted].

SECTION 6.05. [Intentionally Omitted].

SECTION 6.06. Acceptance of Qualified Overbids. (a) At the Sale Hearing, the Sellers will seek entry of the Approval Order authorizing and approving the sale (i) if no Qualified Overbid is received (other than that of the Purchaser), to the Purchaser pursuant to the terms and conditions set forth in this Agreement, (ii) if one or more Qualified Overbids are received by the Sellers, to the Purchaser or such Qualified Overbidder as the Sellers, in the exercise of their business judgment, after consultation with the Committee, determine to have made the highest or otherwise best offer to purchase the Purchased Assets (the "Successful Bidder") or (iii) to the extent of any default by the Successful Bidder, to the Qualified Overbidder who submitted the Back-up Bid. The Sale Hearing may be adjourned or rescheduled without notice by an announcement of the adjourned date at the Sale Hearing.

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

(c) Within two days of the Sale Hearing, the Successful Bidder (other than the Purchaser if the Purchaser is the Successful Bidder) must supplement its Good Faith Deposit

such that the Good Faith Deposit equals 5% of the purchase price as determined at the Auction, unless otherwise approved by the Sellers.

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

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

(b) If a Successful Bidder (other than the Purchaser) fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder and the Sellers are not then in material breach of this Agreement, the Sellers will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder, and such Good Faith Deposit irrevocably will become the property of the Sellers and shall not be credited against the purchase price of the subsequent buyer and the Purchaser shall pay to the Sellers the Purchaser's Deposit. If the Purchaser is the Successful Bidder and the Purchaser fails to consummate an approved sale and the Sellers are not then in material breach of any covenant contained in this Agreement, the Sellers will not have any obligation to return the Purchaser's Deposit, and the Purchaser's Deposit irrevocably will become the property of the Sellers and shall not be credited against the purchase price of the subsequent buyer and the Purchaser shall pay to the Sellers the Purchaser's Deposit.

SECTION 6.08. Court-Imposed Qualified Overbid. In order for the Sellers to accept any alternative offer, such alternative offer must be a Qualified Overbid or a Court-Imposed Qualified Overbid. "Court-Imposed Qualified Overbid" means any alternative offer that the Sellers are required to accept by the Bankruptcy Court.

SECTION 6.09. Modifications of Bidding Procedures. Prior to the entry of the Bidding Procedures Order, the Sellers may, in consultation with the Committee, establish Bidding Procedures other than, or in addition to, those set forth herein with the prior written consent of the Purchaser. The Sellers, after consultation with the Committee, may (a) determine in their business judgment which Qualified Overbid, if any, is the highest or otherwise best offer,

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

SECTION 6.10. Satisfaction of Obligations Under Article VI. The Sellers, Spiegel and the Purchaser agree that all of their respective obligations under this Article VI (other than Section 6.07(b)) have been satisfied fully in connection with the Bankruptcy Court's approval of the Asset Purchase Agreement pursuant to the Approval Order, and the provisions of Article VI (other than Section 6.07(b) and this Section 6.10) shall be of no further force and effect.

ARTICLE VII

EMPLOYEE MATTERS

SECTION 7.01. Offer of Employment. Prior to the Contribution Closing Date, Newco shall make an offer of employment (the "Employment Offer") to those Employees as were mutually agreed upon between the Purchaser and the Sellers, including those on sick leave, vacation, other authorized leaves of absences or short-term disability (but excluding those on long-term disability) (the "Offered Employees") consisting of (i) at least the same base salary and bonus opportunities as were provided to each such Employee immediately prior to the Contribution Closing Date and (ii) employee benefit plans, programs and arrangements that provide at least the level of compensation and benefits (excluding incentive equity opportunities, the Key Employee Retention Plan and the Spiegel Executive Retirement Plan and items numbered 7, 8, and 9 set forth in Section 3.11(a) of the Disclosure Schedule) that is in the aggregate substantially comparable to that provided by the Sellers immediately prior to the Contribution Closing Date under the Employee Plans listed on Section 3.11(a) of the Disclosure Schedule; provided that neither the Purchaser nor Newco shall have any obligation to replicate any particular plan, or portion thereof, set forth in Section 3.11(a) of the Disclosure Schedule or put in place a plan to address any specific type of coverage addressed by the plans set forth in Section 3.11(a) of the Disclosure Schedule. Each Employment Offer shall provide that such offer of employment shall take effect on the Contribution Closing Date. Employees who accept such offer of employment by the Contribution Closing Date shall be referred to herein as "Transferred Employees." The Sellers and the Purchaser agree that, in lieu of an Employment Offer to the Offered Employees, the Sellers shall or shall cause an Affiliate of the Sellers to take all necessary and appropriate actions to transfer the Offered Employees to Newco and cause Newco to employ such Offered Employees on the terms set forth in this Section 7.01.

SECTION 7.02. Employee Benefits. (a) Effective as of the Closing Date, and except as otherwise provided pursuant to the Transition Services Agreement, the Transferred

Employees shall cease participation in Employee Plans other than the P.E.E.R. program, policies and procedures and shall commence participation in employee benefit plans and arrangements of the Purchaser or an Affiliate of the Purchaser. The Purchaser shall, or cause an Affiliate of the Purchaser to, recognize and give full credit for all services by each Transferred Employee for purposes of eligibility, vesting, benefit accrual and determination of the level of benefits (other than benefit accrual or the level of benefits under a defined benefit pension plan) under any employee benefit plans or arrangements of the Purchaser or its Affiliates for such Transferred Employees' service with the Sellers and/or Newport News to the same extent recognized by the Sellers and/or the Newport News immediately prior to the Closing Date, except to the extent such credit would result in the duplication of benefits.

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

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

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

SECTION 7.03. Assumption of Employee Contracts. Newco shall, or shall cause an Affiliate of Newco to, assume and agree to perform all Liabilities, obligations and responsibilities under the employment agreements and offer letters listed on Section 7.03 of the Disclosure Schedule. The Sellers shall perform all Liabilities, obligations and responsibilities under each retention agreement, if any, entered into between any Seller and any of its employees on or prior to the Contribution Closing Date.

SECTION 7.04. 401(k) Plans. The Sellers shall take or cause to be taken all such actions as may be required to ensure that, as of the Closing Date, each Transferred Employee shall become 100% vested in his account balance under the Spiegel Group Value in Partnership Profit Sharing and 401(k) Savings Plan and the Spiegel Group Value in Partnership Profit Sharing and 401(k) Savings Plan for Hourly Associates (collectively, the "Sellers' 401(k)

Plans"). The Purchaser shall permit the plan(s) maintained by the Purchaser or one of its Affiliates that is an eligible retirement plan, pursuant to section 401(a)(31)(D) of the Tax Code, to accept an "eligible rollover contribution" (within the meaning of section 401(a)(31) of the Tax Code) in cash of all or a portion of the account balance distributed to a Transferred Employee under the Sellers' 401(k) Plans. For purposes of this Section 7.04, "eligible rollover contribution" shall include the amount of any unpaid balance of any loan of a Transferred Employee under the Sellers' 401(k) Plans.

SECTION 7.05. Flexible Spending Account. Subject to the requirements of section 125 of the Tax Code, any unused amounts credited to Transferred Employees' accounts (after the satisfaction of claims for expenses incurred prior to the Closing Date) under the Sellers' medical expense reimbursement or dependent care reimbursement plan, a copy of which has been made available to the Purchaser and any pre-existing elections of the Transferred Employees in effect thereunder will be transferred to, and assumed by, the corresponding plan of the Purchaser or one of its Affiliates in which the Transferred Employees are eligible to participate for the balance of the calendar year during which the Closing occurs.

SECTION 7.06. Intentionally Omitted.

SECTION 7.07. No-Hiring. For a period of twelve months commencing on the Closing Date none of the Purchaser, Newco or any of their respective Affiliates, shall directly or indirectly solicit for employment or hire any Person listed on Section 7.07 of the Disclosure Schedule (i) who did not receive an Employment Offer from Newco on the terms and conditions set forth in Section 7.01 and (ii) who is entitled to receive a severance payment from the Seller following the failure to receive such Employment Offer.

ARTICLE VIII

CONDITIONS TO CLOSING

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

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

(b) Governmental Approvals. Any waiting period (and any extension thereof) under the HSR Act and the antitrust legislation of any other relevant jurisdiction

applicable to the purchase of the Purchased Assets contemplated by this Agreement shall have expired or shall have been terminated;

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

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

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

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

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

(a) Representations, Warranties and Covenants. (i) The representations and warranties of the Sellers contained in Sections 3.01, 3.18, 3.19 and 3.20 of this Agreement (A) that are not qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all material respects as of the Closing and (B) that are qualified as to "materiality" or "Material Adverse Effect" shall be true and correct as of the Closing, other than such representations and warranties that are made as of another date, in which case such representations and warranties shall be true and correct in all material respects or true and correct, as the case may be, as of such other date, and (ii) the covenants and agreements contained in this Agreement to be complied with by the Sellers or Spiegel, as the case may be, at or before the Closing shall have been complied with in all material respects;

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

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

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

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

ARTICLE IX

INDEMNIFICATION

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

SECTION 9.02. Indemnification by the Purchaser. Spiegel, the Sellers and their Affiliates, and their respective officers, directors, employees, agents, successors and assigns (each, a "Seller Indemnified Party") shall be indemnified and held harmless by the Purchaser and, following the Closing, Newco for and against any and all Losses arising out of or resulting from: (i) the Assumed Liabilities, (ii) the Purchased Assets, (iii) all Liabilities related to the Transferred Employees to the extent related to the period on or after the Closing Date, (iv) those Liabilities that the Purchaser has agreed to pay pursuant to Sections 2.04(a), and 5.10 and (v) the failure of the Purchaser to comply with its covenants and agreements under Section 5.18.

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

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

ARTICLE X

TERMINATION, AMENDMENT AND WAIVER

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

(a) by (i) either the Sellers or the Purchaser if (A) the Bankruptcy Court has not entered the Bidding Procedures Order on or prior to May 15, 2004, (B) the Bankruptcy Court has not entered the Approval Order on or prior to June 15, 2004 or (C) the Bankruptcy Court has not entered the Amended Approval Order on or prior to June 23, 2004, (ii) the Sellers if the Closing shall not have occurred by June 30, 2004 and (iii) the Purchaser if the Closing shall not have occurred by July 31, 2004; provided, however, that the right to terminate this Agreement under this Section 10.01(a) shall not be available to any party whose breach of any covenant or agreement contained in this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

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

(c) [intentionally omitted];

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

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

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

(g) [intentionally omitted]; or

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

SECTION 10.02. Effect of Termination. In the event of termination of this Agreement as provided in Section 10.01, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except (a) as set forth in Sections 2.04, 5.03,

and 5.18 and Article XII and (b) that nothing herein shall relieve either party from liability for any breach of this Agreement occurring prior to such termination; provided, that nothing in this Section 10.02 shall restrict or limit the Sellers' rights under Section 6.07 with respect to any Good Faith Deposit or the Purchaser's Deposit.

ARTICLE XI

NON-SURVIVAL OF REPRESENTATIONS AND WARRANTIES

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

ARTICLE XII

GENERAL PROVISIONS

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

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

(a) If to the Sellers or Spiegel:

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

with a copy to:

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

(b) if to the Purchaser:

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

with a copy to:

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

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

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

SECTION 12.05. Entire Agreement. This Agreement, the Ancillary Agreements, the Confidentiality Agreement and that certain letter agreement among the parties dated as of the date hereof constitute the entire agreement of the parties hereto with respect to the subject matter

hereof and thereof and supersede all prior agreements and undertakings, both written and oral, among the Sellers and the Purchaser, including, without limitation, the Asset Purchase Agreement, with respect to the subject matter hereof and thereof.

SECTION 12.06. Assignment. This Agreement may not be assigned by operation of law or otherwise without the express written consent of the Sellers, Spiegel and the Purchaser (which consent may be granted or withheld in the sole discretion of the Sellers, Spiegel or the Purchaser), as the case may be; provided that (i) the Purchaser may assign any of its rights or obligations hereunder to any of its Affiliates and (ii) the Purchaser may collaterally assign any of its rights or obligations hereunder to any financing source of the Purchaser or its Affiliates; provided further that no assignment pursuant to clause (i) or clause (ii) shall relieve the Purchaser of any of its obligations hereunder.

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

SPIEGEL, INC.,

By: James M. Brewste
Name: James M. Brewster
Title: Senior Vice President, Chief Financial Officer

Sellers

NEWPORT NEWS, INC.,

By: James M. Brewste
Name: James M. Brewster
Title: Director and Senior Vice President

NEWPORT NEWS SERVICES, LLC

By: James M. Brewste
Name: James M. Brewster
Title: Director and Vice President

NEW HAMPTON REALTY CORP.

By: James M. Brewste
Name: James M. Brewster
Title: Director and Senior Vice President

Purchaser

NEWPORT NEWS INTERNATIONAL LIMITED

By: _____
Name: Jordan Rosenberg
Title: President

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

SPIEGEL, INC.,

By:_____
Name:
Title:

Sellers

NEWPORT NEWS, INC.,

By:_____
Name: Geralynn Madonna
Title: President

NEWPORT NEWS SERVICES, LLC

By:_____
Name: Geralynn Madonna
Title: President

NEW HAMPTON REALTY CORP.

By:_____
Name: Geralynn Madonna
Title: President

Purchaser

NEWPORT NEWS INTERNATIONAL LIMITED

By: Jordan Rosenberg
Name: Jordan Rosenberg
Title: President

EXHIBIT 1.01(a)

FORM OF ASSIGNMENT OF TRANSFERRED INTELLECTUAL PROPERTY

EXHIBIT 1.01(a)

ASSIGNMENT OF TRANSFERRED INTELLECTUAL PROPERTY

This ASSIGNMENT OF TRANSFERRED INTELLECTUAL PROPERTY (this "Assignment"), effective the ___ day of June, 2004, is made and entered into by and between Newport News, Inc., a Delaware corporation ("Assignor"), and [NEWCO], a Delaware corporation ("Assignee") (each a "Party," and collectively, the "Parties"). Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (defined below).

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

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

WHEREAS, Assignor, Newport News Services, LLC, New Hampton Realty Corp., Spiegel, Inc. and Newport News International Limited (formerly known as Pangea Acquisition 8 Limited) entered into that certain Amended and Restated Stock Purchase Agreement dated June 7, 2004 (the "Purchase Agreement"), pursuant to which Assignor and certain of its Affiliates agreed to transfer the Purchased Assets to Assignee, including all of Assignor's right, title and interest in and to the Transferred Intellectual Property and that portion of Assignor's business in which Assignor has a *bona fide* intent to use the ITU Marks; and

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

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

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

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

3. Registrant Name Change Agreement. Within thirty (30) days following the Contribution Closing, Assignor shall (i) execute or otherwise complete the applicable registrant

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

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

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

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

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

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

NEWPORT NEWS, INC.

By: _____
Name:
Title:

[NEWCO]

By: _____
Name:
Title:

SCHEDULE A

Country	Application No.	Patent No.	Filing Date	Issue Date

SCHEDULE B

Country	Title	App. No.	Reg. No.	Filing Date	Issue Date

SCHEDULE C

Country	Mark	App. No.	Reg. No.	Filing Date	Issue Date

SCHEDULE D

Domain Name	Registering Authority

EXHIBIT 1.01(b)

FORM OF ASSUMPTION AGREEMENT

EXHIBIT 1.01(b)

ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT, dated as of June __, 2004 (this "Assumption Agreement"), is among Newport News, Inc., a Delaware corporation, Newport News Services, LLC, an Ohio limited liability corporation, and New Hampton Realty Corp., a Delaware corporation (the "Sellers"), and [NEWCO], a Delaware corporation (the "Company").

WHEREAS, the Sellers, Spiegel, Inc. and Newport News International Limited (formerly known as Pangea Acquisition 8 Limited) have entered into an Amended and Restated Stock Purchase Agreement, dated as of June 7, 2004 (the "Acquisition Agreement"; unless otherwise defined herein, capitalized terms shall be used herein as defined in the Acquisition Agreement);

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

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

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

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

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

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

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

Company from contesting in good faith the legality or enforceability of any debt, liability, contract or obligation assumed by the Company hereunder.

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

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

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

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

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

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

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

NEWPORT NEWS, INC.

By: _____
Name:
Title:

NEWPORT NEWS SERVICES, LLC

By: _____
Name:
Title:

NEW HAMPTON REALTY CORP.

By: _____
Name:
Title:

[NEWCO]

By: _____
Name:
Title:

EXHIBIT 1.01(c)

FORM OF BILL OF SALE AND ASSIGNMENT

EXHIBIT 1.01(c)

BILL OF SALE AND ASSIGNMENT

BILL OF SALE AND ASSIGNMENT, dated as of _____, 2004 (this "Bill of Sale"), from Newport News, Inc., a Delaware corporation, Newport News Services, LLC, an Ohio limited liability corporation, and New Hampton Realty Corp., a Delaware corporation (collectively, the "Sellers"), to [NEWCO], a Delaware corporation (the "Company").

WHEREAS, the Sellers, Spiegel, Inc. and Newport News International Limited (formerly known as Pangea Acquisition 8 Limited (the "Purchaser")) have entered into an Amended and Restated Stock Purchase Agreement, dated as of June 7, 2004 (the "Acquisition Agreement"; unless otherwise defined herein, capitalized terms shall be used herein as defined in the Acquisition Agreement); and

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

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

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

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

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

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

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

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

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

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

NEWPORT NEWS, INC.

By: _____
Name:
Title:

NEWPORT NEWS SERVICES, LLC

By: _____
Name:
Title:

NEW HAMPTON REALTY CORP.

By: _____
Name:
Title:

EXHIBIT 1.01(d)

SELLERS' KNOWLEDGE

Michael Gutkowski

Susan Koste

David Knoll

Geralynn Madonna

Greg Powell

EXHIBIT 2.01(a)(xvii)

BANK ACCOUNTS

	Bank Acct #	GL Acct #
Suntrust Concentration	201167956	011000
Suntrust Deposit	201167905	011040
Suntrust Disbursements	200824155	011050
Suntrust Payroll	200804464	011195
Bank of NY Refund - Concentration	0300204682	D-011140
Bank of NY Refund - Disbursement	0300965829	N-011140
Citibank- NY Petty cash	15322766	011090-0000
Petty Cash VA	N/A	011080/011100
Cash balancing (orders in reprocessing.)	N/A	019990

EXHIBIT 2.11(f)

Form of Chase Credit Card Processing Agreement

MERCHANT SERVICES BANKCARD AGREEMENT

NEWPORT NEWS INTERNATIONAL, INC.	**NEWPORT NEWS**		
Customer's Legal Name	Doing Business As		
5000 CITY LINE ROAD	**HAMPTON**	**VA**	**23661**
Street Address	City	State	Zip Code
CORPORATION	**20-1138551**		
Specify Whether Customer is a Corporation, Partnership, Sole Proprietorship, Non-Profit or Other Type of Entity	Federal Taxpayer Identification Number		
GREG POWELL	**212-986-2769**		
Recipient For Notices Under Paragraph 24.5	Facsimile Number		

This Merchant Services Bankcard Agreement ("Agreement") is among the CUSTOMER identified above, JPMORGAN CHASE BANK ("BANK") and CHASE MERCHANT SERVICES L.L.C., ("CMS") (BANK and CMS are collectively referred to as "SERVICERS").

BANK, as a member of Visa U.S.A., Inc. ("VISA") and MasterCard International Incorporated ("MasterCard"), is responsible for its VISA and MasterCard bankcard programs and has authorized CMS or its members pursuant to a separate agreement (the "Agency Agreement") to act as an agent of and in conjunction with BANK in performing authorization, processing and settlement services for merchants participating in BANK's MasterCard and VISA bankcard programs, in performing the additional services with respect to other cards as specified on the schedules to this Agreement and in taking related actions. CMS is acting in such capacity by executing and performing this Agreement. As between themselves, the respective rights and obligations of CMS and BANK shall be governed by the Agency Agreement and Association Rules.

In consideration of the mutual covenants and agreements set forth herein and other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, SERVICERS and CUSTOMER agree as follows:

1. **Definitions**. As used in this Agreement, capitalized terms will have the meaning set forth in Annex 1.

2. **Services.**
   - 2.1 During the term of the Agreement, CUSTOMER shall use SERVICERS as its exclusive provider of all Services for CUSTOMER.
   - 2.2 Subject to Association Rules, Services may be performed by CMS or BANK as they may determine.

3. **Acceptance of Cards.**
   - 3.1 CUSTOMER will accept any Card properly tendered, without imposing any special conditions not required or allowed by Association Rules. CUSTOMER will assess no special charge or extract any special agreement, condition (including any minimum or maximum transaction amounts) or security from a Cardholder in connection with any Card transaction. CUSTOMER shall not make any statements indicating that CUSTOMER will refuse to honor Card transactions below or above a specified amount. CUSTOMER shall not engage in acceptance practices or procedures that discriminate against or discourage the offered use of any particular Card accepted by CUSTOMER except for special promotions offered in conjunction with an Association, provided such promotion does not otherwise violate any other Association's rules.
   - 3.2 CUSTOMER will check each Card used during a transaction for validity in accordance with the terms of this Agreement, the Operating Guide and the applicable Association Rules. If the Cardholder is not present at the point-of-sale, CUSTOMER shall be responsible for identifying the Cardholder. CUSTOMER will not honor a Card that appears or CUSTOMER otherwise has reason to believe to be invalid or expired.
   - 3.3 All Transaction Records and Credit Transactions must include (i) the transaction date; (ii) a brief description of the goods or services sold, returned or cancelled; (iii) the price of the goods or services, including applicable taxes, or amount of any credit or adjustment; (iv) the Cardholder name; (v) CUSTOMER's name in a manner recognizable to Cardholders; (vi) CUSTOMER's address; (vii) a customer service telephone number; (viii) any applicable terms and conditions of the sale; (ix) exact date any free trials end and (x) any other information which the applicable Association may require.

4. **Operating Guide; Association Rules.**
   CUSTOMER acknowledges that it has received the Operating Guide, the terms of which are incorporated into this Agreement. CUSTOMER shall follow the procedures in the Operating Guide in connection with each Card transaction and comply with all applicable Association Rules. From time to time, SERVICERS may change the Operating Guide, in whole or in part, and other operating procedures, by providing CUSTOMER with at least 30 days' prior written notice of the change. However, in the event of changes in the Association Rules or for security reasons, certain changes in procedures may become effective on shorter notice. If there is any conflict between the terms of this Agreement and the Operating Guide, the terms of this Agreement will govern, unless the conflict is directly related to a change in the Operating Guide which specifically addresses a procedure or requirement detailed in this Agreement.

5. **Authorization.**

5.1 CUSTOMER shall be responsible for obtaining Authorization in advance for each Card transaction. The Authorization number provided by SERVICERS shall be recorded in the appropriate place on the Transaction Record. If Authorization is declined, CUSTOMER shall not complete the Card transaction.

5.2 CUSTOMER acknowledges that Authorization, (i) indicates only the availability of credit at the time of Authorization; (ii) does not warrant that the person presenting the Card is the rightful Cardholder; and (iii) is not an unconditional promise or guarantee by SERVICERS that any Card transaction will not be subject to Chargeback.

6. **Internet, Telephone and Mail Orders.**

6.1 For each internet, telephone or mail order, an Authorization must be obtained, regardless of the face amount, and CUSTOMER must complete the Transaction Record as described in the Operating Guide. CUSTOMER assumes all responsibility for identification of the Cardholder and the validity of the Card information for internet, telephone and mail orders. For internet, telephone and mail order Card transactions where merchandise is to be shipped or delivered to or for the Cardholder, the shipping date shall not be more than seven calendar days after the Authorization is obtained, and any shipping costs not included in the Authorization amount must not exceed 15% of the amount authorized.

6.2 An installment payment option may be offered if all terms are clearly disclosed, each installment is authorized, the first installment is not submitted for settlement until the merchandise is shipped, and subsequent installments are submitted no more frequently than monthly.

6.3 CUSTOMER's web site must contain a complete description of the goods or services offered, returned merchandise and refund policy, customer service contact information (including an email address or telephone number), known export or legal restrictions, and CUSTOMER's delivery policy.

6.4 For internet transactions, copies of Transaction Records may be delivered to Cardholder's in electronic or paper format. CUSTOMER may not transmit Cardholder account numbers to Cardholders for internet transactions.

6.5 CUSTOMER agrees that CUSTOMER and its Service Providers shall follow and comply with the VISA Cardholders Information Security Guidelines (presently available online at VISA's website www.visa.com) as well as any other security guidelines or requirements established by any applicable Association or by SERVICERS. CUSTOMER shall be liable for any fees or fines imposed by an Association as a result of CUSTOMER's or its Service Providers' failure to comply with any such security guidelines. Should SERVICERS or any Association require an audit of CUSTOMER's or its Service Providers' security practices, CUSTOMER shall cooperate in such audit and shall reimburse the applicable Association for the cost of such audit and SERVICERS for SERVICERS' reasonable costs of such audit. As used in this Section 6.5, "Service Provider" shall mean any individual or entity secured by or performing services on behalf of CUSTOMER that stores, processes, or transmits Cardholder data.

7. **Multiple Transaction Records and Partial Consideration.**

Except as specifically set forth in the Operating Guide or Association Rules, CUSTOMER shall list all items of goods and services purchased during each Card transaction and the total amount thereof on a single Transaction Record.

8. **Preauthorized Orders and Recurring Sales.**

8.1 If CUSTOMER is authorized to accept Preauthorized Orders or Recurring Sales (such as for insurance premiums, subscriptions, membership fees, tuition, utility charges or preauthorized health care payments), Authorization for each such Card transaction, regardless of the amount, must be obtained and CUSTOMER must write "Recurring Transaction" (for Visa and other non-MasterCard Card transactions) or "PO" (for MasterCard Card transactions) as applicable, on the Transaction Record in lieu of the Cardholder's signature.

8.2 A Preauthorized Order or Recurring Sale may not include partial payments made to CUSTOMER for goods or services purchased in a single transaction. In no event may any finance charges be imposed on any periodic payments in connection with a Preauthorized Order or Recurring Sale.

8.3 CUSTOMER may not accept a Preauthorized Order or Recurring Sale from a Cardholder unless the Cardholder completes and delivers to CUSTOMER a written request (and, when applicable, a written renewal request) identifying (i) the goods or services to be charged to the Cardholder's account, (ii) the amount of the preauthorized or recurring charges (unless such charges are for variable amounts), (iii) the frequency of the preauthorized or recurring charges and (iv) the duration of time for which the Cardholder's permission is granted. If CUSTOMER accepts any Preauthorized Orders or Recurring Sales for variable amounts, CUSTOMER must comply with the supplemental provisions set forth in the applicable Schedules.

8.4 The Cardholder's written request (including any written renewal request) must (i) be retained for the duration of the preauthorized or recurring charges; (ii) be provided in response to SERVICERS' or a Card issuing bank's request for original documentation; and (iii) not be used after receiving notice of cancellation.

9. **Cardholder Refunds and Credits.**

9.1 If a Cardholder returns goods or cancels services purchased from CUSTOMER with a Card, or CUSTOMER allows any other price adjustment after a sale has been completed and a refund or adjustment is due to the Cardholder, CUSTOMER may not return cash to the Cardholder but will instead prepare a Credit Transaction and process each such refund or adjustment, as specified in the Operating Guide and Association Rules. CUSTOMER will give the Cardholder a copy of the completed Credit Transaction.

9.2 CUSTOMER may not accept money from a Cardholder for the purpose of preparing and depositing a Credit Transaction that will effect a deposit to the Cardholder's account. CUSTOMER must not process a Credit Transaction without having completed a previous offsetting Card transaction with the same Cardholder. Under no circumstances may CUSTOMER require a Cardholder to waive the Cardholder's right to dispute a Card transaction with the Card issuing bank.

9.3 CUSTOMER is responsible for funding all Credit Transactions submitted by CUSTOMER to SERVICERS. CUSTOMER is responsible for maintaining adequate security with respect to any credit card terminals, computer equipment or other equipment utilized to submit Credit Transactions and is responsible for the actions of all of CUSTOMER's employees, agents or other persons who access such equipment. SERVICERS undertake no responsibility to CUSTOMER to monitor or review Credit Transactions submitted via CUSTOMER's account.

10. **Presentment of Card Transactions.**

10.1 CUSTOMER shall electronically deliver to SERVICERS Transaction Records for all Card transactions to be processed and settled hereunder. All Transaction Records must be submitted within applicable Association time frames (including any time frames required for CUSTOMER to qualify for specified interchange rates) but in no event later than the third banking day after completing Card transactions.

10.2 If CUSTOMER utilizes a third party to transmit Transaction Records to SERVICERS, then CUSTOMER is responsible to assure that such third party properly transmits such Transaction Records according to current specifications established by SERVICERS

11. **Settlement of Card Transactions.**

11.1 SERVICERS will only be required to settle CUSTOMER's Card transactions for Cards specified in the Schedules. SERVICERS will initiate a transfer of the applicable settlement funds to CUSTOMER after presentment of Transaction Records pursuant to Section 10 by wire transfer, ACH transfer or other agreed upon method of such applicable settlement funds to the Settlement Account. Settlement generally occurs on the following banking day after SERVICERS process the applicable Card transactions.

11.2 All settlements to CUSTOMER for VISA and MasterCard Card transactions will be based upon gross sales, less Credit Transactions, adjustments, applicable discount fees when due, Chargebacks, and any other amounts then due from CUSTOMER to SERVICERS.

11.3 All credits to CUSTOMER's Settlement Account or other payments to CUSTOMER are provisional and are subject to, among other things, SERVICERS' final audit, Chargebacks, fees and fines imposed by the Associations. CUSTOMER agrees that SERVICERS may debit or credit CUSTOMER's Settlement Account for any deficiencies, overages, fees and pending Chargebacks, or may deduct such amounts from settlement funds due to CUSTOMER.

11.4 SERVICERS will not be liable for any delays in receipt of funds or errors in debit and credit entries caused by third parties including but not limited to any Association or CUSTOMER's financial institution. In addition to any other remedies available to SERVICERS under this Agreement, CUSTOMER agrees that should any of the events set forth in Paragraph 19.3 occur, SERVICERS may, upon at least 24 hours' advance written notice, change processing or payment terms to suspend credits or other payments of any and all funds, money and amounts now due or hereafter to become due to CUSTOMER from SERVICERS pursuant to the terms of this Agreement, until SERVICERS have had reasonable opportunity to investigate and discuss such event with CUSTOMER. In cases of fraud or similar cause, no prior notice shall be required, but SERVICERS shall notify CUSTOMER in writing within three business days after effectuating a suspension of credits or other payments, which notice shall state SERVICERS' reason for the belief that such fraud or similar cause exists.

12. **Fees; Adjustments; Collection of Amounts Due.**

12.1 SERVICERS shall charge CUSTOMER a fee for the Services, which shall be calculated and payable pursuant to the Schedules and any additional pricing supplements. Any fees expressed as a percentage of CUSTOMER's Card transactions shall be calculated based on the gross amount of such transactions. CUSTOMER acknowledges that the fees stated herein are based upon the qualification of CUSTOMER's transactions for certain reduced interchange fees as set by the applicable Association. If CUSTOMER's Card transactions fail to qualify for the reduced interchange fees, SERVICERS shall process such Card transactions at the applicable interchange fees as set by the applicable Association.

12.2 The fees for Services set forth in the Schedules and any additional pricing supplement, are based upon assumptions associated with the anticipated annual volume, average transaction size and CUSTOMER's method of doing business. If during any six month period the actual volume or average transaction size are 20% less than expected or if CUSTOMER significantly alters its method of doing business, SERVICERS may adjust CUSTOMER's discount fee and transaction fees.

12.3 The fees for Services may be adjusted to reflect increases by Associations in interchange, assessments or other Association fees or to pass through increases charged by third parties for on-line communications and similar items. SERVICERS shall notify CUSTOMER of all such adjustments. All such adjustments shall be CUSTOMER's responsibility to pay and shall become effective upon the date any such change is implemented by the applicable Association or other third party.

12.4 In addition to the regular Chargeback fees, set forth on the Schedules, CUSTOMER agrees to pay SERVICERS any fines imposed on SERVICERS by any Association, resulting from Chargebacks and any other fees or fines imposed by an Association with respect to acts or omissions of CUSTOMER.

12.5 If CUSTOMER's Chargeback Percentage for any line of business exceeds an Association's industry chargeback percentage, CUSTOMER shall, in addition to the regular Chargeback fees due to SERVICERS and any applicable Chargeback handling fees or fines imposed by the applicable Association, pay SERVICERS the excessive Chargeback fee shown on the Schedules for all Chargebacks occurring in such month in such line(s) of business. Each industry chargeback percentage is subject to change from time to time by the Associations.

12.6 If CUSTOMER believes any adjustments should be made with respect to CUSTOMER's Settlement Account for any amounts due to or due from SERVICERS, CUSTOMER must notify SERVICERS in writing within 45 days after any debit or credit is or should have been effected. If CUSTOMER notifies SERVICERS after such time period, SERVICERS may, in their discretion, assist CUSTOMER, at CUSTOMER's expense, in investigating whether any adjustments are appropriate and whether any amounts are due to or from other parties, but SERVICERS shall not have any obligation to investigate or effect any such adjustments.

13. **Chargebacks.**

CUSTOMER shall be responsible for all Chargeback and associated amounts relating to Card transactions settled by SERVICERS when Associations Rules provide for a Chargeback.

14. **Representations; Warranties; Limitations on Liability; Exclusion of Consequential Damages.**

14.1 Without limiting any other warranties hereunder, CUSTOMER represents and warrants as to each Card transaction submitted by CUSTOMER under this Agreement that:

(i) the Card transaction represents a bona fide sale/rental of merchandise or services not previously submitted;
(ii) the Card transaction represents an obligation of the Cardholder for the amount of the Card transaction;
(iii) the amount charged for the Card transaction is not subject to any dispute, setoff, or counterclaim;
(iv) the Card transaction amount is only for the merchandise or services (including taxes, but without any surcharge) sold or rented and, except for any delayed delivery or advance deposit Card transactions expressly authorized by this Agreement, the merchandise or service was actually delivered to or performed for the person entering into the Card transaction simultaneously upon CUSTOMER's accepting and submitting the Card transaction for processing;
(v) the Card transaction does not represent the refinancing of an existing obligation that has been deemed uncollectible or collection of a dishonored check;
(vi) CUSTOMER has no knowledge or notice of any fact, circumstances or defense which would indicate that the Card transaction was fraudulent or not authorized by the Cardholder or which would otherwise impair the validity or collectibility of the Cardholder's obligation arising from such Card transaction or relieve the Cardholder from liability with respect thereto;
(vii) any Credit Transaction submitted to SERVICERS represents a refund or adjustment to a Card transaction previously submitted
(viii) the Card transaction is not related in any respect to any gambling or gambling related activity or transactions;
(ix) the Card transaction submitted to SERVICERS was entered into by CUSTOMER and the Cardholder; and
(x) the Card transaction was made in accordance with the terms of this Agreement, Association Rules and the Operating Guide.

14.2 **THIS AGREEMENT IS A SERVICE AGREEMENT, AND EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, SERVICERS DISCLAIM ALL OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, MADE TO CUSTOMER OR ANY OTHER PERSON, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE (REGARDLESS OF ANY COURSE OF DEALING, CUSTOM OR USAGE OF TRADE) OF ANY SERVICES OR ANY GOODS PROVIDED INCIDENTAL TO THE SERVICES PROVIDED UNDER THIS AGREEMENT.**

14.3 **NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL ANY PARTY, THEIR RESPECTIVE AFFILIATES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR SUBCONTRACTORS, BE LIABLE UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHER LEGAL THEORY FOR LOST PROFITS, LOST REVENUES, LOST BUSINESS OPPORTUNITIES, EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES, REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR WHETHER ANY PARTY OR ANY ENTITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

14.4 **NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, SERVICERS' CUMULATIVE LIABILITY FOR ALL LOSSES, CLAIMS, SUITS, CONTROVERSIES, BREACHES, OR DAMAGES FOR ANY CAUSE WHATSOEVER (INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATED TO THIS AGREEMENT) AND REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY SHALL NOT EXCEED, THE AMOUNT OF FEES RECEIVED BY SERVICERS PURSUANT TO THE AGREEMENT FOR SERVICES PERFORMED IN THE IMMEDIATELY PRECEDING 12 MONTHS.**

15. **Retention of Records.**

15.1 If the Schedules provide that SERVICERS shall prepare and retain images (on microfilm or otherwise) of CUSTOMER's paper Transaction Records and Credit Transactions vouchers, CUSTOMER shall deliver to SERVICERS the originals or copies of CUSTOMER's Transaction Records and Credit Transactions in suitable form for imaging no later than seven calendar days from the date of the transaction; provided however, that CUSTOMER shall retain legible copies of Transaction Records and Credit Transactions for at least six months following the date of each such transaction. If the Schedules provide that SERVICERS shall capture and store data reflecting Card transactions electronically transmitted to SERVICERS, CUSTOMER shall transmit to SERVICERS all data required to be included on Transaction Records and Credit Transactions (or CUSTOMER shall be responsible for any deficiencies in the data transmitted).

Except as otherwise set forth in the Schedules, CUSTOMER shall retain legible copies of Transaction Records and Credit Transaction vouchers for a period of at least eighteen months from the date of each such transaction.

15.2 Unless the Schedules provide that SERVICERS are responsible for retaining records of CUSTOMER's Card transaction data and CUSTOMER has actually delivered to SERVICERS the applicable Card transaction data containing all required information in legible and suitable form for imaging or electronic capture and storage (as applicable), CUSTOMER shall be responsible for the retrieval of all Transaction Records and Credit Transactions requested by SERVICERS in accordance with the terms of this Agreement.

16. **Cash Payments by and Cash Disbursements to Cardholders.**
CUSTOMER shall not accept any direct payments from Cardholders for charges of merchandise or services which have been included on a Transaction Record, it being the right of the Card issuing bank to receive such payments. Taxes on Card transactions must be included in the amount charged and may not be collected by CUSTOMER in cash. CUSTOMER shall not make any cash disbursements to a Cardholder as part of a Card transaction except to the extent expressly authorized by the Schedules or Association Rules.

17. **Confidentiality.**
17.1 Unless CUSTOMER obtains consents from each applicable Association, SERVICERS, Card issuing bank and Cardholder, CUSTOMER shall not disclose, sell or disseminate any information obtained solely as a result of Cardholder's use of Cards to purchase goods or services from CUSTOMER (including the names, addresses and Card account numbers of Cardholders) except for purposes of authorizing, completing and settling Card transactions and resolving any chargebacks, retrieval requests or similar issues involving Card transactions, other than pursuant to a court or governmental agency request, subpoena or order. CUSTOMER shall not retain or store magnetic stripe data after a transaction has been authorized. CUSTOMER shall use proper controls for and shall limit access to, and shall render unreadable prior to discarding, all records containing Cardholder account numbers and Card imprints.
17.2 CUSTOMER acknowledges that it obtains no ownership rights in any information relating to and derived from Card transactions. Cardholder account numbers, personal information and other Card transaction information, including any databases containing such information, may not be sold or disclosed to a third party as an asset upon a bankruptcy, insolvency or failure of CUSTOMER's business. Upon a bankruptcy, insolvency or failure of CUSTOMER's business all Card transactions information must be returned to SERVICERS or acceptable proof of the destruction of all Card transaction information must be provided to SERVICERS.

18. **Assignment.**
18.1 Any transfer or assignment of this Agreement by CUSTOMER, by operation of law or otherwise, is voidable by SERVICERS without SERVICERS' prior written consent. In the event of such transfer or assignment, the party to whom the Agreement was transferred or assigned shall be bound to the terms and conditions of this Agreement to the same extent as if SERVICERS and such assignee or transferee, as the case may be, entered into an agreement identical to this Agreement on the effective date of such transfer or assignment. Furthermore, CUSTOMER shall indemnify and hold SERVICERS harmless from all liabilities, Chargebacks, expenses, costs, fees and fines arising in connection with such transferees or assignees, as the case may be, submission of Card transactions to SERVICERS for processing. For purposes of this Agreement, any transfer of voting control of CUSTOMER or its parent shall be considered an assignment or transfer hereof.
18.2 Upon notice to CUSTOMER, another VISA and MasterCard member may be substituted for BANK under whose sponsorship this Agreement is performed and for whom CMS is acting as agent hereunder. Upon substitution, such other VISA and MasterCard member shall be responsible for all obligations required of BANK, including without limitation, full responsibility for its bankcard program and such other obligations as may be expressly required by applicable Association Rules. Subject to Association Rules, SERVICERS may assign or transfer this Agreement and their rights and obligations hereunder and may delegate their duties hereunder, in whole or in part, to any third party, whether in connection with a change in sponsorship, as set forth in the preceding sentence, or otherwise, without notice to or consent of CUSTOMER.
18.3 Except as provided in the following sentence, this Agreement shall be binding upon successors and assigns and shall inure to the benefit of the parties and their respective permitted successors and assigns. No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, debtor in possession, sheriff or any other officer of a court, or other person charged with taking custody of a party's assets or business, shall have any right to continue or to assume or to assign this Agreement.

19. **Term; Events of Default.**
19.1 This Agreement and the applicable Schedules shall become effective upon the date this Agreement and the applicable Schedules are signed by BANK, which shall in all instances be on or after the date(s) CUSTOMER and CMS sign this Agreement and the applicable Schedules and CUSTOMER will be advised of the effective date by SERVICERS.
19.2 The initial term of this Agreement shall commence and shall continue in force for three (3) years after it becomes effective or, if CUSTOMER has not submitted any Card transactions for processing within 90 days of the effective date, then for three years following CUSTOMER's first submission of Card transactions. This Agreement shall renew for successive one-year periods unless a party terminates this Agreement by notice to all other parties, in writing, at least 60 days prior to the expiration of the term or renewal term, as the case may be.
19.3 If any of the following events shall occur (each an "Event of Default"):
(i) a material adverse change in the business, financial condition, business procedures, products or services of CUSTOMER; or
(ii) any assignment in violation of Section 18 of this Agreement; or
(iii) a sale of all or a substantial portion of CUSTOMER's assets; or
(iv) irregular Card sales by CUSTOMER, excessive Chargebacks or any other circumstances which, in SERVICERS' discretion, may increase SERVICERS' exposure for CUSTOMER's chargebacks or otherwise present a financial risk to SERVICERS; or
(v) any representation or warranty in this Agreement is breached in any material respect or was or is incorrect in any material respect when made or deemed to be made; or
(vi) the default in any material respect in the performance or observance of any term, covenant, condition or agreement contained in this Agreement, including, without limitation, the establishment or maintenance of funds in a Reserve Account, as detailed in Paragraph 20;

(vii) CUSTOMER shall default in any material respect in the performance or observance of any term, covenant or condition contained in any agreement with any affiliate of SERVICERS, including, but not limited to, any agreement governing check guarantee or check verification services; or

(viii) a case or other proceeding shall be commenced by or against CUSTOMER, in any court of competent jurisdiction seeking relief under the Bankruptcy Code or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, the appointment of a trustee, receiver, custodian, liquidator or the like of CUSTOMER, or of all or any substantial part of the assets, domestic or foreign, of CUSTOMER, and such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive days, or an order granting the relief requested in such case or proceeding against CUSTOMER (including, but not limited to, an order for relief under the Bankruptcy Code) shall be entered; or

(ix) the independent certified accountants retained by CUSTOMER shall refuse to deliver an unqualified opinion with respect to the annual financial statements of CUSTOMER and its consolidated subsidiaries; or

(x) CUSTOMER shall indicate that any Association endorses its products or Services; or

(xi) CUSTOMER shall default in the payment when due, whether upon maturity or otherwise, of any material indebtedness for borrowed money or any material trade payable (other than any trade payable subject to a good faith dispute by CUSTOMER so long as CUSTOMER is actively pursuing resolution of such dispute);

then, upon the occurrence of (1) an Event of Default specified in subparagraphs (iv) or (viii) above, the non-defaulting party may consider this Agreement to be terminated immediately, without notice, and all amounts payable hereunder by CUSTOMER to SERVICERS shall be immediately due and payable in full without demand or other notice of any kind, all of which are expressly waived by CUSTOMER, and (2) any other Event of Default, this Agreement may be terminated by the non-defaulting party by giving not less than 10 days' notice to the other parties, and upon such notice all amounts payable hereunder by CUSTOMER to SERVICERS shall be due and payable on demand.

19.4 If any Event of Default shall have occurred and be continuing, the parties may, in their sole discretion, exercise all of their rights and remedies under applicable law, including, without limitation, SERVICERS' rights under Section 20.

19.5 This Agreement also may be terminated by SERVICERS prior to the then-current expiration date upon at least 90 days' advance written notice, if CUSTOMER's Card transactions fail to conform to the average transaction size or the volume is 20% less than as set forth in the Schedules.

19.6 If this Agreement is terminated for cause, CUSTOMER acknowledges that SERVICERS may be required to report CUSTOMER's business name and the names and other identification of its principals to the Combined Terminated Merchant File maintained by VISA and MasterCard. CUSTOMER expressly agrees and consents to such reporting in the event CUSTOMER is terminated for any reason specified as cause by VISA or MasterCard. Furthermore, CUSTOMER agrees to waive and hold SERVICERS harmless from and against, any and all claims which CUSTOMER may have as a result of such reporting.

19.7 The provisions governing processing and settlement of Card transactions, all related adjustments, fees and other amounts due from CUSTOMER and the resolution of any related chargebacks, disputes or other issues involving Card transactions will continue to apply even after termination of this Agreement, until all Card transactions made prior to such termination are settled or resolved.

19.8 After termination of this Agreement for any reason whatsoever, CUSTOMER shall continue to bear total responsibility for all Chargebacks, fees, credits and adjustments resulting from Card transactions processed pursuant to this Agreement and all other amounts then due or which thereafter may become due to SERVICERS under this Agreement or which may be due to SERVICERS before or after such termination to either SERVICERS or any of SERVICERS' affiliates for any related equipment or related services.

20. **Reserve Account; Security Interest.**

20.1 CUSTOMER expressly authorizes SERVICERS to establish a Reserve Account pursuant to the terms and conditions set forth in this Section 20. The amount of such Reserve Account shall be set by SERVICERS, in their sole discretion, based upon CUSTOMER's processing history and the anticipated risk of loss to SERVICERS. SERVICERS may adjust the amount required to be maintained in the Reserve Account based upon changes to CUSTOMER's financial condition, sales practices, card processing history or fulfillment practices.

20.2 The Reserve Account shall be fully funded upon three days notice to CUSTOMER, or in instances of fraud or an Event of Default, reserve account funding may be immediate. Such Reserve Account may be funded by all or any combination of the following: (i) one or more debits to CUSTOMER's Settlement Account or any other accounts held by BANK or any of its affiliates; (ii) one or more deductions or off sets to any payments otherwise due to CUSTOMER; (iii) CUSTOMER's delivery to SERVICERS of a letter of credit; or (iv) if SERVICERS so agree, CUSTOMER's pledge to SERVICERS of a freely transferable and negotiable certificate of deposit. Any such letter of credit or certificate of deposit shall be issued or established by a financial institution acceptable to SERVICERS and shall be in a form satisfactory to SERVICERS. In the event of termination of this Agreement by either CUSTOMER or SERVICERS, an immediate Reserve Account may be established without notice in the manner provided above. Any Reserve Account will be held by BANK for the greater of ten months after termination of this Agreement or for such longer period of time as is consistent with BANK's liability for Card transactions in accordance with Association Rules. CUSTOMER's funds held in a reserve account may be held in a commingled Reserve Account for the reserve funds of BANK's customers, without involvement by an independent escrow agent.

20.3 If CUSTOMER's funds in the Reserve Account are not sufficient to cover the Chargebacks, adjustments, fees and other charges due from CUSTOMER, or if the funds in the Reserve Account have been released, CUSTOMER agrees to promptly pay SERVICERS such sums upon request. In the event of a failure by CUSTOMER to fund the Reserve Account, SERVICERS may fund such Reserve Account in the manner set forth in subsection 20.2, above.

20.4 To secure CUSTOMER's obligations to SERVICERS and their affiliates under this Agreement and any other agreement for the provision of related equipment or related services, CUSTOMER grants to SERVICERS a lien and security interest in and to any of CUSTOMER's funds pertaining to the Card transactions contemplated by this Agreement which may be in the possession of SERVICERS. Any such

funds, money or amounts may be commingled with other funds of SERVICERS, or, in the case of any funds held pursuant to the foregoing paragraphs, with any other funds of other customers of SERVICERS. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, SERVICERS are hereby authorized by CUSTOMER at any time and from time to time, without notice or demand to CUSTOMER or to any other person (any such notice and demand being hereby expressly waived), to set off, recoup and to appropriate and to apply any and all such funds against and on account of CUSTOMER's obligations to SERVICERS and their affiliates under this Agreement and any other agreement with SERVICERS or any of SERVICERS' affiliates for any related equipment or related services (including any check guarantee and check verification services), whether such obligations are liquidated, unliquidated, fixed, contingent, matured or unmatured. CUSTOMER agrees to duly execute and deliver to SERVICERS such instruments and documents as SERVICERS may reasonably request to perfect and confirm the lien, security interest, right of set off, recoupment and subordination set forth in this Agreement.

21. **Financial and Other Information.**

21.1 CUSTOMER agrees upon SERVICERS' request to provide SERVICERS quarterly financial statements of CUSTOMER within 45 days after the end of each fiscal quarter and annual audited financial statements within 90 days after the end of each fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles. CUSTOMER also shall provide such other information concerning the nature and methods of CUSTOMER's business and CUSTOMER's compliance with the terms and provisions of this Agreement as SERVICERS may reasonably request. CUSTOMER authorizes SERVICERS to obtain from third parties financial and credit information relating to CUSTOMER in connection with SERVICERS' determination whether to execute this Agreement and SERVICERS' continuing evaluation of the financial and credit status of CUSTOMER. Upon request, CUSTOMER shall provide to SERVICERS or their representatives reasonable access to CUSTOMER's facilities and records for the purpose of performing any inspection and/or copying of CUSTOMER's books and/or records related to Card transactions processed pursuant to this Agreement.

21.2 CUSTOMER will provide SERVICERS with written notice of CUSTOMER's intent to liquidate, substantially change the basic nature of its business, transfer or sell any substantial part (25% or more in value) of its total assets, or if CUSTOMER or its parent is not a corporation whose shares are listed on a national securities exchange or on the over-the-counter market, change the control or ownership of CUSTOMER or its parent, 30 days prior to such liquidation, change, transfer or sale taking place. CUSTOMER will also notify SERVICERS of any judgment, writ, warrant of attachment, execution or levy against any substantial part (25% or more in value) of CUSTOMER's total assets not later than three days after CUSTOMER obtains knowledge of any such judgment, writ, warrant of attachment, execution or levy.

22. **Indemnification.**

22.1 CUSTOMER agrees to indemnify and hold harmless SERVICERS from and against all losses, liabilities, damages and expenses resulting from any breach of any warranty, covenant or agreement or any misrepresentation by CUSTOMER under this Agreement, or arising out of any gross negligence or willful misconduct of CUSTOMER or its employees, in connection with CUSTOMER's Card transactions or otherwise arising from CUSTOMER's provision of goods and services to Cardholders.

22.2 Subject to the limitations set forth in Section 14 of this Agreement, SERVICERS agree to indemnify and hold harmless CUSTOMER from and against all losses, liabilities, damages and expenses resulting from any breach of any warranty, covenant or agreement or any misrepresentation by SERVICERS under this Agreement or arising out of the gross negligence or willful misconduct of SERVICERS or their employees in connection with this Agreement.

23. **Liquidated Damages.**

23.1 The parties further agree and acknowledge that, in addition to any remedies contained herein or otherwise available under applicable law and, notwithstanding anything to the contrary elsewhere in this Agreement, if (a) CUSTOMER breaches this Agreement by improperly terminating it prior to the expiration of the applicable term of the Agreement, or (b) this Agreement is terminated prior to the expiration of the applicable term of the Agreement in accordance with, and due to, an Event of Default by CUSTOMER specified in subsection 19.3, then SERVICERS will suffer a substantial injury that is difficult or impossible to accurately estimate. Accordingly, in an effort to liquidate in advance the sum that should represent the damages which would actually be sustained by SERVICERS as the result of such a termination, the parties have agreed that the amount calculated in the manner specified below is a reasonable pre-estimate of SERVICERS' probable loss, which shall be paid to SERVICERS as liquidated damages in the event of any such termination. Any recovery pursuant to this Section 23 shall in no way limit SERVICERS' right to receive any payments due from CUSTOMER pursuant to Section 13. Such liquidated damages shall be paid to SERVICERS within 15 days after CUSTOMER's receipt of SERVICERS' calculation of the amount due. The liquidated damages amount shall equal 80% of the product of (i) the average net monthly fees, as determined in accordance with subsection 23.2, and (ii) the number of months, including any pro rata portion of a month, then remaining in the initial term or any renewal term, as applicable.

23.2 The average net monthly fees shall equal one-twelfth of the gross fees payable pursuant to the Schedules, less applicable interchange fees and assessments due pursuant to this Agreement, during the 12 months immediately preceding the date on which (i) SERVICERS receive notice from CUSTOMER of its intention to terminate this Agreement early, or (ii) SERVICERS learn of CUSTOMER's early termination in violation of this Agreement, or (iii) this Agreement is terminated early pursuant to subsection 19.3 (whichever produces the higher amount); provided, however, if the Agreement has been in place less than 12 months, the estimated average net monthly fees shall equal the aggregate gross fees paid hereunder by CUSTOMER, divided by the number of months the Agreement was effective.

24. **Miscellaneous.**

24.1 No party shall be liable for any default or delay in the performance of its obligations under this Agreement if and to the extent such default or delay is caused, directly or indirectly, by (i) fire, flood, elements of nature or other acts of God; (ii) any outbreak or escalation

of hostilities, war, riots or civil disorders in any country; (iii) any act or omission of the other party or any government authority; (iv) any labor disputes (whether or not employees' demands are reasonable or within the party's power to satisfy); or (v) the nonperformance by a third party for any similar cause beyond the reasonable control of such party, including without limitation, failures or fluctuations in telecommunications or other equipment. In any such event, the non-performing party shall be excused from any further performance and observance of the obligations so affected only for as long as such circumstances prevail and such party continues to use commercially reasonable efforts to recommence performance or observance as soon as practicable.

24.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions). In performing its obligations under this Agreement, each party agrees to comply with all laws and regulations applicable to it. **SERVICERS AND CUSTOMER IRREVOCABLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING ANY CLAIM RELATING TO OR ARISING UNDER THIS AGREEMENT.**

24.3 CUSTOMER shall be liable for any and all attorney's fees, collection costs and other costs and expenses paid or incurred by SERVICERS in the enforcement hereof, or in collecting any amount due from CUSTOMER to SERVICERS hereunder or resulting from any breach by CUSTOMER of any of the terms or conditions of this Agreement.

24.4 Following receipt of any request to perform or provide any system enhancements, custom reports, or related service enhancements that are different from or in addition to the system, services and reports SERVICERS otherwise agree to provide to CUSTOMER (collectively, "System Enhancements"), and prior to providing the requested System Enhancements, SERVICERS shall provide CUSTOMER with a description of the System Enhancements to be made, together with an estimate of SERVICERS' fee for providing such System Enhancements. If CUSTOMER thereafter instructs SERVICERS to make such System Enhancements, SERVICERS shall do so, and CUSTOMER shall pay the additional fees charged by SERVICERS for such System Enhancements.

24.5 Except as otherwise specifically provided, all notices and other communications required or permitted hereunder (other than those involving normal operational matters relating to the processing of Card transactions) shall be in writing, shall be sent by mail, courier, facsimile or email (facsimile and email notices shall be confirmed in writing by courier), if to CUSTOMER at its address appearing at the beginning on this Agreement, and if to SERVICERS at 265 Broad Hollow Road, Melville, New York 11747, Facsimile (631) 843-6822, Attention: Executive Vice President Operations, with a copy to Attention: General Counsel's Office at 3975 N.W. 120th Avenue, Coral Springs, Florida 33065, Facsimile: (954) 845-5550, and shall be deemed to have been given (i) if sent by mail or courier, when received and (ii) if sent by facsimile machine, when the courier confirmation copy is actually received. Notice given in any other manner shall be effective when actually received.

24.6 The headings contained in this Agreement are for convenience of reference only and shall not in any way affect the meaning or construction of any provision of this Agreement.

24.7 The parties intend every provision of this Agreement to be severable. If any part of this Agreement is not enforceable, the remaining provisions shall remain valid and enforceable. If a court of competent jurisdiction determines that any term or provision contained herein is illegal or invalid for any reason, the illegality or invalidity shall not affect the validity of the remainder of this Agreement. In such case, the parties shall in good faith modify or substitute such provision consistent with the original intent of the parties. Without limiting the generality of this paragraph, if a court determines that any remedy stated in this Agreement has failed of its essential purpose, then all other provisions of this Agreement, including the limitations on liability and exclusion of damages, shall remain fully effective.

24.8 This Agreement, along with any Schedules and the Operating Guide, constitutes the entire agreement between the parties with respect to the subject matter, supersedes any previous agreements and understandings and, except as provided in other Sections of this Agreement, the Schedules or the Operating Guide, can be changed only by a written agreement signed by all parties. A party's waiver of a breach of any term or condition of this Agreement shall not be deemed a waiver of any subsequent breach of the same or another term or condition.

24.9 The parties acknowledge that the VISA and MasterCard Association Rules give VISA and MasterCard certain rights to require termination or modification of this Agreement with respect to transactions involving VISA and MasterCard Cards and the VISA and MasterCard Card system and to investigate CUSTOMER. The parties also acknowledge that issuers of other Cards, for which SERVICERS perform services on behalf of CUSTOMER, may have similar rights under their applicable Association Rules with respect to this Agreement's applicability to transactions involving such other Cards.

The parties hereto have caused this Agreement to be executed by their duly authorized officers. **THIS AGREEMENT IS NOT BINDING UPON SERVICERS UNTIL SIGNED BY SERVICERS.**

NEWPORT NEWS INTERNATIONAL, INC.
("CUSTOMER")

By:_____

Name:_____
(Please Print or Type)

Title:_____

Date: _____

JPMORGAN CHASE BANK
("BANK")

By:_____

Name:_____
(Please Print or Type)

Title:_____

Date: _____

CHASE MERCHANT SERVICES L.L.C.
("CMS")

By:_____

Name:_____
(Please Print or Type)

Title:_____

Date:_____

ANNEX 1

The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

1.1 "Association" means any entity formed to administer and promote Cards, including VISA and MasterCard, and any other entity as specified on the Schedules to this Agreement.

1.2 "Association Rules" mean the rules, regulations, releases, interpretations and other requirements (whether contractual or otherwise) imposed or adopted by any Association.

1.3 "Authorization" means the process by which CUSTOMER electronically accesses SERVICERS' computerized system, unless such system is inoperable or otherwise not accessible to CUSTOMER, in which case CUSTOMER shall utilize the designated toll-free telephone number, to obtain credit approval from the Card issuing bank before completion of the Card transaction.

1.4 "Bankruptcy Code" means title 11 of the United States Code, as amended from time to time.

1.5 "Business Day" means a day (other than Saturday or Sunday) on which SERVICERS are generally open for business.

1.6 "Card" means a valid credit card or valid off-line debit card bearing the service mark of VISA or MasterCard and, to the extent the Schedules so provide, a valid card issued by any other Associations specified on such Schedules.

1.7 "Cardholder" means the individual whose name is embossed on the Card and any authorized user of such Card.

1.8 "Chargeback" means the procedure by which a Transaction Record or other indicia of a Card transaction (or disputed portion thereof) is returned to Bank or the Card issuing bank, for failing to comply with Association Rules, the liability of which is the CUSTOMER's responsibility.

1.9 "Credit Transaction" means the evidence of a refund or price adjustment by CUSTOMER to a Cardholder's account in connection with a prior purchase by such Cardholder using a Card, regardless of whether the form of such evidence is in paper, electronic or otherwise.

1.10 "CUSTOMER's Chargeback Percentage" means the actual monthly percentage calculated by dividing CUSTOMER's total monthly VISA and MasterCard Chargeback items in any line of business by the number of CUSTOMER's total monthly VISA and MasterCard transactions in such line of business.

1.11 "Operating Guide" means the then-current manual prepared by SERVICERS, containing operational procedures, instructions and other directives relating to Card transactions.

1.12 "Preauthorized Order" means a Cardholder's written authorization to make one or more future charges to such Cardholder's MasterCard Card account in connection with the purchase of goods or services which are delivered or performed periodically.

1.13 "Recurring Sale" means a Cardholder's written authorization to make one or more future charges to such Cardholder's Visa or other non-MasterCard Card account in connection with the purchase of goods or services which are delivered or performed periodically.

1.14 "Reserve Account" means a fund established and managed by SERVICERS to protect against actual or contingent liability arising from Chargebacks, adjustments, fees and other charges due to or incurred by SERVICERS.

1.15 "Schedules" means the attachments, addenda and other documents, including revisions thereto, which may be incorporated into and made part of this Agreement.

1.16 "Services" means the activities undertaken by SERVICERS to authorize, process and settle all United States Dollar denominated VISA and MasterCard Card transactions undertaken by Cardholders at CUSTOMER's location(s) in the United States, and all other activities necessary for SERVICERS to perform the functions specified on the Schedules for all other Cards covered by this Agreement.

1.17 "Settlement Account" means an account at a financial institution designated by CUSTOMER as the account to be debited and credited by SERVICERS for Card transactions, fees, Chargebacks and other amounts due hereunder or in connection herewith (i.e., fines, penalties, attorneys' fees, etc.).

1.18 "Transaction Record" means evidence of a purchase of goods or services by a Cardholder from CUSTOMER using a Card, regardless of whether the form of such evidence is in paper, electronic or otherwise, all of which must conform to Association Rules.

SCHEDULE A

1. **Bankcard Fees:**

(a) The Bankcard Service Fee per Visa and per MasterCard transaction will be interchange and assessments and access/Risc fees plus the fees identified in the following table, which will be charged **daily**.

	Visa	MC
Cents Per Transaction	.03	.03
Transaction Fee Percent	0.000%	0.000%
Credit Fee	0.000%	0.000%

The above Bankcard Service Fees are based on the following assumptions:

(i) an average ticket of **$46.00** and;
(ii) an annual bankcard volume of **$227,000,000** and;
(iii) each of Customer's transactions qualifying for **Visa CPS Card Not Present and MasterCard MERIT I** interchange levels and;

(b) The interchange fees, assessments, access/Risc fees and qualifying criteria set forth in Attachment I annexed hereto may be changed from time to time as mandated by the Associations.

2. **Other Fees** Customer will be charged the following additional fees for the services **if utilized:**

Implementation/Account Set Up & Maintenance:

Account Set-Up Fee: A one-time implementation fee of **$N/A**

Additional merchant numbers and Maintenance: The below grid shows fees Customer will be charged for expedited merchant number requests and some file changes.

Type	Timeframe	Cost
New Corporate Number	Within 3 business days (considered expedited)	$0.00
New Corporate Number	Within 4-5 business days (considered expedited)	$0.00
New Merchant outlet/location Number	Within 2 business days	$0.00
New Merchant outlet/location Number	Within 3-5 business days	$0.00
Banking Changes	n/a	$0.00 per outlet/location
Vendor set-up form	n/a	$0.00 per outlet/location
Adding third party entitlements	n/a	$0.00 per outlet/location

Authorization Fees:

	$ or %	Visa / MC
Electronic		$.02
Voice		.75
ARU		.02
Referral	$	.999

Chargeback Solutions:

Chargeback /Excessive Fee: $7.50 per Chargeback. In addition, $7.50 per Excessive Chargeback if over 1.00 % of gross transactions.

Chargeback Training or Seminar: CMS scheduled National seminars will be charged per individual attending at rate reflected in the seminar materials.

Upon request by customer, CMS will provide a group chargeback seminar at customer's location for **$2,500.00** .

Consultation Services: CMS may provide consultation services to Customer, as requested, at a rate of **$85.00** per hour plus reasonable travel, communications and out-of-pocket expenses incurred by CMS in conjunction with providing the consultation services.

Annual Business Review: **$0.00** per review

Postage, Supplies: Charged as used. The Supply Attachment provides sample pricing.

Certification / Re-Certification: **$3000.00** for certification or re-certification services (certification or re-certification services require two weeks prior notice to Services)

File Reversals **$3,500.00** for file reversals needed to merchant processing errors
$5.00 per item for manual reversals

Telecommunications:

Leased Line/Frame Relay: CMSs will provide a leased line/frame circuit connection from its data center to Customer's data center. Customer shall be responsible for installation fees, modems, monthly line charges, and monthly maintenance as they are incurred, all of which will be passed-through to Customer.

Non-Qualification Fee: If Customer's MasterCard & Visa transaction(s) fail to qualify for the interchange levels contemplated in the rates set forth in this Agreement, Customer will be billed for the difference between the rate set forth and the higher rate, plus an additional fee for said Non-Qualified transactions.

	Direct
MC & VISA BILLBACK SURCHARGE	.05

Compliance and Interchange:

Association Updates: **$0.00** per month

Interchange Management: **$0.00** per month

Association Violation/Fine Defense:
If Customer falls into a MasterCard or Visa violation program and requires intervention, advocacy, or assistance to retain Association privileges and/or avoid

further fines, Customer will be billed at a rate of **$250.00** per hour OR $**1500** per day plus reasonable travel, communications and out-of-pocket expenses incurred by CMS in conjunction with providing services.

Monthly Minimum/ Maintenance Fee:

MONTHLY SERVICE CHARGE N/A

Funding Fee:

ACH FEE	$0.00
BANKWIRE FEE	5.00

Other: **$00.00** per month

Reporting/Information Products options: CMS offers an array of reporting tools and will utilize Option #

Option	Report	Delivery Medium	Set Up Fee	Monthly Fee	Monthly User Fee	Per Record Fee
I	**CIV (CUSTOMiVIEW)**	Internet (Browser based or email)	$250	Per Report Fees	$10.00 per user	
II	**DER Debit and/or Credit**	Electronic transmission		$250 for transaction detail		
III	**eIDS (Electronic Integrated Dispute System)**	Internet (Browser based) and must use CIV	$75 (waived for CIV users)	$200 Includes one user* Includes 5 users if volume is <$100MM (Plus $10 CIV portal access fee for non-CIV merchants)	1) $10 per add'l 10 users if volume is <$250MM 3) $10 per add'l 5 users if volume is <$500MM 4) $10 per add'l user if volume is >$500MM	
IV	**EDI (Electronic Data Interchange)**	PC/Mainframe	$500 per mailbox set up $100 per hour for mapping	$250		$0.05
V	**Daily Summary Report**	Fax		$15		
	Monthly Summary Report	Fax		$15		

*** Note: eIDS is accessed via web browser. If the merchant accesses CIV reports via email (not by web browser), then an additional user fee applies.**

3. Additional Services:

It is understood and agreed that Bank shall have no liability whatsoever regarding the processing, authorization or any other service provided by CMS in connection with cards bearing the service mark of organizations other than the Visa or MasterCard associations.

The additional services to be provided by CMS hereunder shall be in accordance with the terms set forth in the Attachments annexed hereto.

Attachment I	Interchange fees and criteria		
Attachment_____	Quasi-Cash Transactions	Attachment_____	EBT
Attachment_____	Check Services	Attachment _____	Terminals

4. Payment Plan

Payment Method is: ACH / BANKWIRE

All payments to Customer for purchases by CMS and Bank of valid Debt shall be by Fedwire (bankwire) or through the Automated Clearing House (ACH) and shall normally be electronically transmitted directly to the demand deposit account indicated below, or any successor account designated to receive provisional funding of Customer's Card sales pursuant to the Bankcard Agreement ("Settlement Account"). Neither Bank or CMS can guarantee the timeliness with which any payment may be credited by Customer's depository institution ("Depository"). Customer hereby authorizes Bank and CMS to access information from the Settlement Account and to initiate credit and/or debit entries by Fedwire (bankwire) or ACH transfer and to authorize Depository to block or to initiate, if necessary, reversing entries and adjustments for any original entries made to the Settlement Account and to authorize Depository to provide such access and to credit and/or debit or to block the same to such account. This authorization is without respect to the source of any funds in the Settlement Account, is irrevocable and coupled with an interest. This authority extends to any equipment rental or purchase agreements, which may exist between CMS and Customer as well as to any fees and assessments and Chargeback amounts of whatever kind or nature due to CMS and Bank under the Bankcard Agreement. This authority is to remain in full force and effect at all times unless and until CMS and Bank have consented to its termination in such time and in such manner as to afford CMS and Bank and Depository a reasonable opportunity to act on it. In addition, Customer understands and agrees that CMS shall charge Customer ten dollars ($10.00) for each ACH, which cannot be processed, and all subsequent funding may be suspended until Customer either (i) notifies CMS that ACHs can be processed; or (ii) a new Electronic Funding Agreement is signed by Customer. In order to insure transactions are properly handled Customer's bank must be able to process or accept electronic transfers either via ACH and/or Fedwire (bankwire) which transfers are processed utilizing the Federal Reserve System.

Name of bank	Address of bank
Demand deposit number ("Settlement Account")	Transit/ABA number

NEWPORT NEWS INTERNATIONAL, INC.
(CUSTOMER)

CHASE MERCHANT SERVICES, L.L.C
("CMS")

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

JP MORGAN CHASE BANK
("BANK")
By: _____

Title: _____

Date: _____

ATTACHMENT I to SCHEDULE A
APRIL 2004

VISA INTERCHANGE FEES – DEBIT RATES

CPS/Retail Debit	1.05% + $0.15
CPS/Retail Debit – Tier 1**	0.70% + $0.15
CPS/Retail Debit - Tier 2**	0.83% + $0.15
CPS/Retail Debit - Tier 3**	0.95% + $0.15
CPS/Supermarket Debit	1.05% + $0.15 ($0.35 CAP)
CPS/Supermarket Debit – Tier 1**	0.70% + $0.15 ($0.35 CAP)
CPS/Supermarket Debit - Tier 2**	0.83% + $0.15 ($0.35 CAP)
CPS/Supermarket Debit - Tier 3**	0.95% + $0.15 ($0.35 CAP)
CPS/Retail 2 Debit	0.80% + $0.25
CPS/Retail Key Entry Debit	1.60% + $0.15
CPS/Card Not Present Debit	1.60% + $0.15
CPS/Automated Fuel Dispenser Debit	0.70% + $0.17
CPS/Account Funding Debit	1.75% + $0.20
CPS/E-Commerce Basic Debit	1.60% + $0.15
CPS/E-Commerce Preferred Debit	1.55% + $0.15
CPS/Hotel & Car Rental Card Not Present Debit	1.36% + $0.15
CPS/Hotel & Car Rental Card Present Debit	1.36% + $0.15
CPS/E-Commerce Preferred Hotel & Car Rental Debit	1.36% + $0.15
CPS/Passenger Transport Debit	1.60% + $0.15
CPS/E-Commerce Preferred-Passenger Transport Debit	1.60% + $0.15
CPS/Small-Ticket Debit	1.60% + $0.04
CPS/Restaurant Debit	1.19% + $0.10
CPS/Retail Service Station Debit	0.70% + $0.17
Express Payment Service Debit	1.95% + $0.02
Elec. Interchange Reimbursement Fee (EIRF) Debit	1.75% + $0.20
Standard Debit	1.90% + $0.25

Visa Assessment Fee
(based on gross sales volume)
.0925%

Visa Access Fee
(per transaction)
$0.00675

*Please be advised that the new debit Interchange fees may not apply to Domestic transactions originating from non-U.S.– issued products, or commercial debit products..

** This interchange is now tiered. The basis for the tiers is based on the volume and transaction count assigned by Visa in the chart below.

Performance Thresholds	Visa Transaction Minimum	Visa Volume Minimum	Maximum Visa Chargeback Ratio	Maximum Visa Fraud Ratio
Threshold I	35 million	$2 billion	0.018%	0.022%
Threshold II	18 million	$1 billion	0.018%	0.022%
Threshold III	6 million	$300 million	0.018%	0.022%

ATTACHMENT I to SCHEDULE A
APRIL 2004

VISA INTERCHANGE FEES – CREDIT RATES

CPS/Retail	**1.54% + $0.10**
CPS/Retail Tier 1 Credit **	**1.43% + $0.10**
CPS/Retail Tier 2 Credit **	**1.47% + $0.10**
CPS/Retail Tier 3 Credit **	**1.51% + $0.10**
CPS/Retail 2 (Emerging Markets) Credit	1.43% + $0.05
CPS/Retail Key Entry (Retail MCCs Only) Credit	1.85% + $0.10
CPS/Restaurant Credit	**1.54% + $0.10**
CPS/Retail Service Station Credit	1.43% + $0.10
CPS/Card Not Present Credit	1.85% + $0.10
CPS/Elec. Commerce Basic Credit	1.85% + $0.10
CPS/Elec. Commerce Preferred	1.80% + $0.10
CPS/Account Funding Credit	2.14% + $0.10
CPS/Supermarket	**1.24% + $0.05**
CPS/Supermarket Tier 1 Credit **	**1.15% + $0.05**
CPS/Supermarket Tier 2 Credit **	**1.20% + $0.05**
CPS/Supermarket Tier 3 Credit **	**1.22% + $0.05**
Express Payment Service Credit	2.00% + $0.02
CPS/Small Ticket	1.65% + $0.04
CPS/Car Rental/Hotel (Card Present) Credit	1.58% + $0.10
CPS/Car Rental/Hotel (Card Not Present) Credit	1.58% + $0.10
CPS/Automated Fuel Dispenser Credit	1.50% + $0.05
CPS/Passenger Transport Credit	**1.75% + $0.10**
CPS/Elec. Comm – Passenger Transport – Preferred	**1.75% + $0.10**
Electronic Interchange Reimbursement Fee(EIRF) Credit	2.14% + $0.10
Standard Credit	**2.63% + $0.10**
Signature Card - Electronic	2.14% + $0.10
Signature Card - Standard	**2.63% + $0.10**
GSA Purchase Card Large Ticket	0.95% + $35.00
GSA Large (Ticket transaction Amt. $8,750.00) or >	1.35% + $0.00
US Purchasing Card Comm. Large Tkt.(Emerging Market)	0.95% + $35.00
T&E Commercial Card - Electronic	**2.20% + $0.10**
T&E Commercial Card – Standard	**2.70% + $0.10**
Commercial Card Level 11	**1.90% + $0.10**
Purchasing Card Level 111	**1.70% + $0.10**
CPS/Elec. Comm Preferred Hotel & Car Rental	1.58% + $0.10
Non-T&E Commercial Card – Electronic	**2.20% + $0.10**
Non-T&E Commercial Card - Standard	**2.70% + $0.10**
International Electronic (U.S. Location)	Domestic Interchange Applies
International Standard (U.S. Location)	Domestic Interchange Applies
International Electronic (Non U.S. Location)	1.10% + $0.00
International Standard (Non U.S. Location)	1.60% + $0.00
International Commercial Card - Electronic	Domestic Interchange Applies
International Commercial Card - Standard	Domestic Interchange Applies
International Corp/Purchasing (Non U.S. Location)	1.80% + $0.00
Inter-regional Issuer Chip (Non U.S. Location)	1.20% + $0.00
Intra-regional Issuer Chip (LAC Region)	1.20% + $0.00

Visa Assessment Fee
(based on gross sales volume)
.0925%

Visa Access Fee
(per transaction)
$0.00675

** This interchange is tiered. The basis for the tiers is based on volume and transaction count assigned by Visa and is similar to the requirements for the Debit Tiers listed in the chart on page 1. However, the Chbk ratio is .039% and the Fraud Ratio is .057%

ATTACHMENT I to SCHEDULE A
APRIL 2004

MASTERCARD INTERCHANGE FEES – DEBIT RATES

Merit III Base – Debit	**1.05% + $0.15**
Merit III – Tier 1 - Debit**	**0.70% + $0.15**
Merit III – Tier 2 – Debit**	**0.83% + $0.15**
Merit III – Tier 3 - Debit**	**0.95% + $0.15**
Merit 1 – Debit	**1.64% + $0.16**
Emerging Market Debit	**0.80% + $0.25**
Key Entered – Debit	**1.64% + $0.16**
Service Industry Incemtive Program (SIIP) – Debit	**1.15% + $0.05**
Travel Industry Premier Service (TIPS) - Debit	**1.36% + $0.15**
Small Ticket – Debit	**1.60% + $0.04**
Restaurant – Debit	**1.19% + $0.10**
Petroleum – CAT/AFD – Debit	**0.70% + $0.17**
Petroleum – Service Station – Debit	**0.70% + $0.17**
Passenger Transport – Debit	**1.60% + $0.15**
Warehouse Base – Debit	**1.05% + $0.15 ($.35 CAP)**
Warehouse – Tier 1 – Debit**	**0.70% + $0.15 ($.35 CAP)**
Warehouse – Tier 2 – Debit**	**0.83% + $0.15 ($.35 CAP)**
Warehouse – Tier 3 – Debit**	**0.95% + $0.15 ($.35 CAP)**
Supermarket Base – Debit	**1.05% + $0.15 ($.35 CAP)**
Supermarket – Tier 1 – Debit**	**0.70% + $0.15 ($.35 CAP)**
Supermarket – Tier 2 – Debit**	**0.83% + $0.15 ($.35 CAP)**
Supermarket – Tier 3 – Debit**	**0.95% + $0.15 ($.35 CAP)**
Standard – Debit	**1.90% + $0.25**

MasterCard Assessment Fee

(based on gross sales volume)

.095%

MasterCard Access Fee

(per transaction)

$.005

** This interchange is now tiered. The basis for the tiers is based on the volume and transaction count assigned by MasterCard in the chart below.

Effective 04/03/2004

**Tier	Min Annual Debit Txns	Min Annual Debit USD Volume	Supermarket/Warehouse Max Fee (USD)	Max Chgbk Ratio (%)	Max Fraud Ratio (%)
1	8.75 Million	500 Million	0.35	0.018	0.022
2	4.5 Million	250 Million	0.35	0.018	0.022
3	1.5 Million	75 Million	0.35	0.018	0.022

ATTACHMENT I to SCHEDULE A
APRIL 2004

MASTERCARD INTERCHANGE FEES – CREDIT RATES

Merchant UCAF Rate	1.50% + $0.10 Non US
Merchant UCAF Rate	1.91% + $0.10 US
Merchant Full UCAF Rate	1.60% + $0.10 Non US
Merchant Full UCAF Rate	2.01% + $0.10 US
MERIT III Base Credit	**1.54% + $0.10**
MERIT III Tier 1 Credit ***	**1.48% + $0.10**
MERIT I Credit	1.90% + $0.10
MasterCard Key Entered Credit	1.90% + $0.10
Service Industry Incentive (SIIP) Credit	1.15% + $0.05
Travel Industry Premier Service (TIPS) Credit	1.58% + $0.10
Passenger Transport Credit	**1.75% + $0.10**
Public Sector Credit	**1.55% + $0.10**
Supermarket Credit	**1.36% + $0.00**
Supermarket Tier 1 Credit ***	**1.30% + $0.00**
Warehouse Club Credit	**1.36% + $0.00**
Warehouse Tier 1 Credit***	**1.30% + $0.00**
Quick Payment Service	1.90% + $0.00
Convenience Purchase Credit	1.80% + $0.00
Standard Credit	**2.70% + $0.10**
International Electronic (Non U.S. Location)	1.16% + $0.00
International Standard (Non U.S. Location)	1.69% + $0.10
International Electronic (U.S. Location)	1.37% + $0.00
International Standard (U.S. Location)	2.10% + $0.10
Canadian Intra-Country	1.70% - $0.25
Corporate Face to Face	**1.54% + $0.10**
Corporate Data Rate I	**2.65% + $0.10**
Corporate Data Rate II	**1.95% + $0.00**
Corporate Data Rate III	**1.65% + $0.00**
Corporate Large Ticket Rate	**1.20% + $40.00**
Corporate T&E Rate I	2.30% + $0.00
Corporate T&E Rate II	**2.15% + $0.10**
Corporate T&E Rate III	**2.05% + $0.10**
Corporate Standard	**2.70% + $0.10**
World MasterCard T&E	2.20% + $0.10
Purchasing Large Ticket (Non-U.S. Location)	0.75% + $30.00
Purchasing Data Rate II (Non-U.S. Location)	1.55% + $0.00
Purchasing (US Location w/US Acquire Global Support Fee 0.30%)	2.15% + $0.00
Purchasing (Non-U.S. Location)	1.85% + $0.00
Corporate (US Location w/US Acquire Global Support Fee 0.30%)	2.15% + $0.00
Corporate (Non-U.S. Location)	1.85% + $0.00
Payment Transaction	0.19% + $0.53

MasterCard Assessment Fee

(based on gross sales volume)

.095%

MasterCard Access Fee

(per transaction)

$.005

***Merit 3, Supermarket, and Warehouse Club Interchange Rate Programs Tier Qualifying Criteria Min Annual Consumer Credit USD Volume must exceed 1.25 billion, based on a merchant's Jan-Dec 2003 credit USD volume settled through MasterCard's System.

Attachment II to Schedule A

Other Card Services

This Attachment II to Schedule A supplements the Merchant Bankcard Agreement (the "Agreement") to which it is attached and sets forth the terms applicable to CMS' provision of the specified services for the Card transactions issued by the entities set forth below:

American Express	JCB
Diners Club	Discover ("Novus")

The Card issuing entities selected above are collectively referred to as ("Issuer") unless otherwise specified in this Attachment II.

The following sets forth the annual volume for each Issuer Card:

American Express:_____ JCB:_____
Diners Club:_____ Novus:_____

1. FEES:

	Authorization/Processing (Per transaction)
American Express:	$0.025
Diners Club:	$____
JCB:	$____
Novus:	$0.025

	Settlement Services (Per transaction)
Diners:	_____% of face amount tran.
JCB:	_____% of face amount tran.

2. GENERAL:

Customer understands and acknowledges that CMS' sole responsibility with respect to ISSUER Card transactions shall be to provide the services specified in this Attachment.

In the event Customer has a separate Issuer Agreement with a respective Issuer, all Chargeback and financial obligations including but not limited to fees and issues related thereto shall be governed by the terms of such Issuer Agreement. Notwithstanding the foregoing, in the event CMS is providing settlement services for Diners Club and/or JCB transactions, CMS shall be responsible for providing such services pursuant to the terms of the Agreement. Customer shall comply with all terms and conditions of the Issuer Agreement and the applicable rules, regulations, interpretations and other requirements of the respective Issuer and shall not seek authorization for or submit for processing or settlement hereunder any Issuer Card transactions at anytime when Customer does not have in effect a valid Issuer Agreement with such Issuer. Customer agrees to notify CMS immediately upon the termination of any Issuer Agreement to which it is a party. Upon such termination, CMS shall have no further obligations hereunder to provide any services to Customer with respect to any transactions involving such Issuer Cards.

In the event Customer does not have a separate Issuer Agreement with a respective Issuer, the Issuer Card services to be provided hereunder shall be in accordance with the terms of the Agreement and this Attachment.

3. ISSUER CONSENTS:

Customer shall be responsible for obtaining any operational consents required of Issuer to comply with procedures or practices contemplated by both Customer and CMS under this Agreement.

4. AUTHORIZATION SERVICES ONLY:

In the event CMS is providing authorization services for Issuer Card transactions as specified herein, Customer shall seek such authorization from CMS pursuant to the applicable Issuer Agreement or in the absence thereof, the applicable section of the Agreement. Unless CMS is providing processing services for Issuer Card transactions as specified in this Attachment, Customer shall be responsible for processing and submitting directly to the applicable Issuer for settlement of such Card transactions.

5. PROCESSING AND SUBMISSION TO ISSUERS:

In the event CMS is providing processing services for Issuer Card transactions as specified herein, Customer shall submit to CMS for processing all of Customer's Issuer Card transactions and CMS shall process such transactions and transmit them electronically to the applicable Issuer with a summary of such Card transactions

6. SETTLEMENT SERVICES:

In the event CMS is providing settlement services for Diners Club and/or JCB transactions as specified herein, all provisions of the Agreement shall apply to Customer's Diners Club and/or JCB transactions. Following receipt of applicable settlement funds from Diners Club and/or JCB, CMS will initiate a transfer of settlement funds pursuant to the terms set forth in the Agreement and applicable Schedules and/or Attachments.

(a) Diners Club. If settlement services are provided for Diners Club ("Diners") transactions:

(i) Customer shall retain Diners sales drafts and Diners credit vouchers for a period of at least 90 days from the date of the Diners transaction, and Customer shall retain microfilm or legible copies of Diners sales drafts and Diners credit vouchers for a period of at least seven years following the date of transaction.

(ii) Customer shall not accept a Card embossed "for local use only" outside the territory in which it was issued; and

(iii) Customer shall not accept an Amoco co-branded Card unless Customer has a specific contractual agreement authorizing Customer to do so.

(b) JCB. If settlement services are provided by CMS for JCB transactions:

(i) Customer shall retain original JCB sales drafts and JCB credit vouchers for a period of at least 120 days from the date of the JCB Card transaction and Customer shall retain microfilm or legible copies of JCB sales drafts and JCB credit vouchers for a period of at least three years following the date of the transaction.

(ii) For purposes of CMS' Chargeback liability with respect to JCB transactions, an authorization obtained on a transaction does not override any Chargeback reason which may apply to the item.

(iii) If Customer processes JCB Card transaction data electronically, Customer's account number must be included in the JCB Card transaction data transmitted to CMS, in addition to the other information required by the Agreement to be included in each sales draft or credit voucher.

(iv) The procedures and requirements contained in the applicable Attachments if Customer is a lodging merchant and accepts JCB Cards to reserve accommodations, subject to the right of JCB Cardholders to cancel reservations at resort establishments until 4:00 p.m. on the scheduled arrival date, notwithstanding any earlier deadline established for Visa and MasterCard Cardholders.

(v) By contracting for JCB settlement services, Customer authorizes JCB to publish its name, address and telephone number in JCB solicitation materials.

CMS does not warrant or bear responsibility for the performance of any Issuer in any way.

Newport News International, Inc.
(Customer)

By:_____

Name:_____

Title:_____

Date:_____

CHASE MERCHANT SERVICES, L.L.C.

("CMS")

By:_____

Name:_____

Title:_____

Date:_____

THE CHASE MANHATTAN BANK
("Bank")

By:_____

Name:_____

Title:_____

Date:_____

EXHIBIT 2.13(b)

CALCULATION OF ADJUSTED CLOSING NET CURRENT ASSETS

	Calculation of Reference Net Current Assets (as of 1/31/04)	**Calculation of Adjusted Closing Net Current Assets**
CURRENT ASSETS:		
CASH (IN THE PETTY CASH ACCOUNTS)	7	
NET RECEIVABLES	14,285	
NET MERCHANDISE INVENTORY	71,107	
DEFERRED CATALOG COSTS	8,748	
OTHER PREPAIDS	2,395	
DEFERRED TAXES	0	
TOTAL CURRENT ASSETS	96,542	
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE*	4,651	
PAYROLL & BONUS	1,298	
SALES & USE TAX	112	
GENERAL TAXES	136	
LIABILITY FOR FUTURE RETURNS	7,188	
OTHER ACCRUED EXPENSES	6,696	
TOTAL CURRENT LIABILITIES	20,081	
NET ASSETS	76,461	

* Includes net amount of outstanding checks offset by amounts in the Bank Accounts.

EXHIBIT 5.07

FORM OF TRANSITION SERVICES AGREEMENT

EXHIBIT 5.07

TRANSITION SERVICES AGREEMENT

TRANSITION SERVICES AGREEMENT, dated as of June __, 2004 (this "Agreement"), among Newport News, Inc. ("NNI"), a Delaware corporation and a wholly owned subsidiary of Spiegel, Inc. ("Spiegel"), Newport News Services, LLC, an Ohio limited liability corporation and wholly owned subsidiary of NNI ("LLC"), and New Hampton Realty Corp., ("New Hampton Realty"), a Delaware corporation and a wholly owned subsidiary of Spiegel (each of NNI, LLC and New Hampton Realty individually or collectively, as the case may be, "SP"), and [NEWCO], a Delaware corporation ("SR").

W I T N E S S E T H:

WHEREAS, SP, Spiegel and Newport News International Limited (formerly known as Pangea Acquisition 8 Limited (the "Purchaser")) have entered into an Amended and Restated Stock Purchase Agreement, dated as of June 7, 2004, (the "Acquisition Agreement"; all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Acquisition Agreement), pursuant to which SP and Spiegel agreed to sell to the Purchaser (and the Purchaser agreed to purchaser from SP and Spiegel) SR, the owner of certain assets relating to the business of selling women's apparel and other merchandise through a catalog entitled "Newport News" and an e-commerce site (www.newport-news.com) of SP, all as more particularly set forth in the Acquisition Agreement;

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

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

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

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

(b) SR shall reimburse SP promptly upon the receipt by SR of a reasonably detailed written invoice from SP for each Line Item of Service rendered hereunder. SR shall reimburse SP for SP's fully allocated cost for each Line Item of Service. Except as set forth in Exhibit A, Number 4 (including Schedule III) (Employee Services) hereto, any payments pursuant to this Agreement shall be made within thirty (30) days after the date of receipt by SR of SP's invoice. SP reserves the right to charge interest on any amount which has been due from SR for more than thirty (30) days, at a rate equal to eight percent (8%) per annum, and to suspend performance under this Agreement upon failure of SR to make three or more payments.

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

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

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

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

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

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

3. Access to Virginia Space. (a) In order to permit SP to provide to SR some or all of the Transition Services on Exhibit A, Number 1 (Call Center Services) hereto, SR hereby grants to SP and its employees and representatives access to use the Virginia Space (as defined below) for the period commencing on the date hereof and ending on the date upon which this Agreement shall terminate in accordance with the terms hereof or such earlier date as SP shall vacate the Virginia Space. "Virginia Space" means the space in the Administration Building located at 5000 City Line Road, Hampton, Virginia (the "Building") currently used by SP to provide the call center services described in Exhibit A, Number 1, Schedule I (Call Center Services) hereto.

(b) On or prior to the end of the Term (at such time as the applicable services requiring use of the Virginia Space are terminated), SP shall (i) vacate and surrender the Virginia Space to SR in substantially the same condition as at the beginning of the Term and (ii) remove its personal effects from the Virginia Space.

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

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

(e) SP shall comply with all applicable rules, laws and regulations of any governmental or quasi-governmental authority having jurisdiction over the Virginia Space and shall comply with all reasonable rules and regulations SR may, at any time or from time to time, establish regarding the Virginia Space.

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

(g) SR, on SP's behalf and at SP's sole cost and expense, may, but shall not be obligated to, make such repairs to the Virginia Space as and when SR deems necessary including, without limitation, the repair of any damage to the Virginia Space and to any of SR's property located thereon, the need for which arises out of any damage that may occur thereto during the term of this Agreement, and SP shall promptly reimburse SR for the cost thereof, unless such damage is caused by the gross negligence, willful misconduct or bad faith of, or violation of any Law by of SR or acts, omissions or occurrences not within SP's reasonable control.

4. Access to New York Space. (a) SP hereby grants to SR, and its employees and representatives, exclusive access to use the New York Space (as defined below) for the period commencing on the date hereof and ending on the date that is four months from the date hereof. " New York Space" means the space in the Building located at 711 Third Avenue, New York, New York (the "Office Building") currently occupied by SP in connection with the Business. In consideration for such exclusive access SR shall make payments to SP as set forth on Exhibit A, Number 5 (Access Fee for New York Space) hereto. On or prior to the expiration of the four-month term described above (at such time as the applicable services requiring use of the New York Space are terminated), SR shall (i) vacate and surrender the New York Space to SP in substantially the same condition as at the beginning of the four-month term described above and (ii) remove its personal effects from the New York Space.

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

ensure that SR will, during the term hereof, be the beneficiary of all services received by SP from the landlord of the Office Building.

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

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

(e) SP shall be responsible for the daily cleaning of the New York Space. SR shall otherwise maintain and keep the New York Space clean and in good repair and tenantable condition throughout the term of the exclusive access granted in this Section 4. SP shall also provide security desk services including the provision of access/security badges to those employees of SR who are regularly employed at the New York Space, along with SR's consultants, invitees and visitors, utilities (including heat, air-conditioning and electricity), elevator services and general office maintenance, e.g., light bulb replacement, currently provided by outside vendors to SP.

(f) SP, on SR's behalf and at SR's sole cost and expense, may, but shall not be obligated to, make such repairs to the New York Space as and when SP deems necessary including, without limitation, the repair of any damage to the New York Space and to any of SP's property located thereon, the need for which arises out of any damage that may occur thereto during the term of the access granted in this Section 4, and SR shall promptly reimburse SP for the cost thereof, unless such damage is caused by the gross negligence, willful misconduct or bad faith of, or violation of any Law by of SP or acts, omissions or occurrences not within SR's reasonable control.

(g) SP covenants and agrees that it will comply with its obligations under section 365(d)(3) of the Bankruptcy Code while SR continues its occupancy of the New York Space.

5. License of Assets. In order to permit SP to provide to SR the Transition Services, SR hereby grants to SP a license to use the Licensed Assets commencing on the date hereof and ending on the date that is nine months from the date hereof. SR has not made nor does SR make any representations or warranties regarding the Licensed Assets and the same are licensed to SP in an "as is" condition with all faults. SR expressly disclaims any and all implied warranties with respect to same, including, but not limited to, any implied warranties of merchantability, fitness for a particular purpose or noninfringement.

6. Transfer of Licenses. As part of the Transition Services and during the term of this Agreement, SP shall use its and shall cause its Affiliates to use their commercially reasonable efforts to transfer to SR licenses used in the Business that are not Transferred IP

Agreements, including, without limitation, the licenses that are (a) used by SP or its Affiliates to provide the Transition Services hereunder and (b) used solely for the benefit of the Business.

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

8. Right to Audit. Except as set forth in Exhibit A, Number 4 (including Schedule III) (Employee Services) hereto, for a period of six months after SR receives an invoice from SP for the provisions of Transition Services, SR shall be provided, subject to the provision contained in Section 5 hereof, reasonable access to and the right to audit, at its cost and expense, by a mutually acceptable nationally recognized accounting firm all of SP's books and records principally relating to the provision of the Transition Services hereunder; provided, however, that neither SR nor any agent of SR shall have access to proprietary technology of SP by virtue of this Section 8. SP shall establish and maintain accurate records for all activities relating to the Transition Services. To the extent that an audit performed by SR raises discrepancies with respect to amounts invoiced by SP, SR and SP will attempt to resolve the discrepancies promptly, but if they are unable to do so, the dispute will be resolved (and the costs and expenses of the dispute, including SR's initial audit costs, shall be divided) in the same manner as if this were a dispute to be resolved pursuant to Section 2.10 of the Acquisition Agreement.

9. Notices. All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9):

(a) if to SP:

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

with a copy to:

Newport News, Inc.
711 3rd Avenue
New York, NY 10017
Facsimile: (212) 986-2769
Attention: Gregory Powell, CFO

and another copy to:

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

(b) if to SR:

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

with a copy to:

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

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

11. Assignment. This Agreement may not be assigned by operation of law or otherwise without the express written consent of SP and SR (which consent may be granted or withheld in the sole discretion of SP or SR), as the case may be; provided that SP hereby covenants and agrees that, so long as SR is not in breach of its obligations under this Agreement, if Spiegel sells its Eddie Bauer business after the date hereof, that SP shall use commercially reasonable efforts necessary to provide that the purchaser of the Eddie Bauer business assumes this Agreement and remains obligated under the terms of this Agreement until the Terms of all Line Items of Service have expired.

12. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other

Person any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

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

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

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

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

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

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

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

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

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

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

23. Survival. The provisions of Sections 1(e)-(g), 7-21 and 23 shall survive the termination of this Agreement.

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

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

NEWPORT NEWS, INC.

By: _____
Name:
Title:

NEWPORT NEWS SERVICES, LLC

By: _____
Name:
Title:

NEW HAMPTON REALTY CORP.

By: _____
Name:
Title:

[NEWCO]

By: _____
Name:
Title:

EXHIBIT A – SERVICES

1. Call Center Services
2. Payroll Processing Services
3. Information Services
4. Employee Services
5. Access to New York Space

1. Call Center Services

SP will provide the call center services specified on Schedule I for a period of six months after the date hereof, and each line item on Schedule I may be terminated prior to the expiration of the six-month period pursuant to Section 1(c) of this Agreement.

Schedule I: SGTS 2004 Pricing for Newport News

Service		***Price***
Charged Per Minute:		
Sales Calls	1	**0.32**
Allocation Detail		
Direct Labor	2	*0.20*
Benefits, Vacation, Payroll Tax	3	*0.04*
Incentive	4	*0.01*
Training	5	*0.01*
Operations Management	6	*0.05*
Satisfaction Calls	7	**0.33**
Allocation Detail		
Direct Labor	8	*0.22*
Vacation, Sick, Holiday	9	*0.05*
Training	10	*0.01*
Operations Management	11	*0.04*
Charged per Contact		
Elevated Satisfaction Calls	12	**2.83**
Allocation Detail		
Direct Labor	13	*1.18*
Vacation, Sick, Holiday	14	*1.35*
Training	15	*0.08*
Operations Management	16	*0.23*
Internet	17	**0.20**
Allocation Detail		
Direct Labor	18	*0.14*
Vacation, Sick, Holiday	19	*0.02*
Training	20	*0.01*
Operations Management	21	*0.03*
Mail	22	**1.70**
Allocation Detail		
Direct Labor	23	*0.80*
Vacation, Sick, Holiday	24	*0.68*
Training	25	*0.06*
Operations Management	26	*0.17*
Reprocessing	27	**0.17**
Allocation Detail		
Direct Labor	28	*0.12*
Vacation, Sick, Holiday	29	*0.01*
Training	30	*0.01*
Operations Management	31	*0.02*
Variable Telephone	32	**0.26**
Fixed Dollar Charges – Per Month		
Total		**291,505**

Allocation Detail	
Occupancy	*96,098*
Depreciation	*48,229*
Management, Support Services	*147,178*

Allocation from IS- Per Month

Fixed Telephone*	*148,087*
Data Processing	*134,638*

* If SR outsources these services to a third party, this amount shall be reduced by an amount equal to the product of such amount multiplied by a fraction, the numerator of which shall be the number of contacts by such third party and the denominator of which shall be the total number of contacts.

2. Payroll Processing Services

SP will provide the administrative, system and tax filing services required to process the payroll of the Transferred Employees for the period of three months following the date hereof at a cost of $5,000 per month plus $2 per check (based on 2 checks per month) per associate.

3. Information Services

SP will provide the information services specified on Schedule II for a period of nine months after the date hereof, and each line item on Schedule II may be terminated prior to the expiration of the nine-month period pursuant to Section 1(c) of this Agreement.

Schedule II

	Annual Charges	Monthly Charges	Ownership	Charge Type
Applications				
Support				
1 Applications Support of existing systems	$ 576.0	$ 48.0	Spiegel	HC to remain on Spiegel payroll through service agreement
2 Applications Support – Internet	$ 115.2	$ 9.6	Spiegel	HC to remain on Spiegel payroll through service agreement
3 Applications Support – 3rd Party	$ 90.3	$ 7.5	Spiegel	Charges passed to acquirer from Fry
4 Amortization on Existing Systems	$ 29.0	$ 2.4	Spiegel	Fixed Charge from Spiegel
Support Subtotal	$ 810.4	$ 67.5		
Misc. Development	$ 1,040.8	$ 86.7		
Total Applications Budget	$ 1,851.2	$ 154.3		
Operations				
Support				
5 Direct Operations Personnel	$ 625.6	$ 52.1	Acquirer	HC Transitioned to acquirer payroll
6 Internet Hosting	$ 252.0	$ 21.0	Spiegel	Fixed Charge from Spiegel
7 Software/maintenance/other costs	$ 771.6	$ 64.3	Spiegel	Fixed Charge from Spiegel
8 Shared Processing (Including Mainframe/Servers/Storage/Overhead)	$ 2,892.9	$ 241.1	Spiegel	Fixed Charge from Spiegel
True Support Subtotal (Ties to TSA Analysis on Summary Page)	4,542.1	378.5		
Less: Allocation Benefit	(844.2)	(70.4)		
Total Applications Budget	$ 3,697.9	$ 308.2		
9 Support (CIO, Finance, HR, etc)	$ 236.7	$ 19.7	Spiegel	Fixed Charge from Spiegel
Subtotal total expense charge-out	$ 5,785.8	$ 482.2		
Network Expense (in NN Other General line item)				
10 Direct NNI Network Expense	$ 782.5	$ 65.2	Spiegel	Variable Charge based on usage – Passed through from Vendor
11 Indirect NNI Network Expense	$ 303.7	$ 25.3	Spiegel	Fixed Charge from Spiegel
Total Network expenses	$ 1,086.2	$ 90.5		
Total I/S Network Excluding Call Center Costs	$ 6,872.0	$ 572.7		

1 Includes support of Existing Systems based on 5 FTE's billed at $71/hr with 78% billable hours.
2 Includes support of Existing NNI Website based on 1 FTE's billed at $71/hr with 78% billable hours.
3 Support from Fry Inc. Amount assumes 650 hours at $137/hr.
4 Amortization for Endeca search engine and Ceridian Payroll.
5 Compensation for NNI Desktop and server support (see Operations support schedule 1).
6 Based on Current configuration of servers at Fry Inc. through Aug 04 only – Standalone quote from Fry - $53.9k/month.
7 Software and maintenance costs (See Operations support Schedule 2).
8 Processing costs for mainframe, open environment, Lotus Notes, Storage, Management (see Operations support schedule 3).
9 Costs for CIO, Finance, A/P, HR, Audit, Real Estate.
10 Includes Direct voice/data costs to support NNI excluding call center costs (see Network expense schedule 1).
11 Includes Management and allocation for shared corporate lines.

4. Employee Services

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

Schedule III: Employee Services and Fees

The Transferred Employees may participate in the following plans, programs and arrangements in accordance with Exhibit A, Number 4 (Employee Services); provided that (1) SP shall not be required to amend any plan, program or arrangement in order to provide any of the following services to SR and (2) the vendor of each service consents to providing such service to the Transferred Employees:

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

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

5. Access to New York Space

SR will pay $163,563.00 per month to SP for access to the New York Space.

EXHIBIT 5.17(a)

FORM OF CERTIFICATE OF INCORPORATION OF NEWCO

EXHIBIT 5.17(a)

CERTIFICATE OF INCORPORATION

OF

[NAME OF CORPORATION]

ARTICLE I

Name

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

ARTICLE II

Registered Office and Registered Agent

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

ARTICLE III

Corporate Purpose

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

ARTICLE IV

Capital Stock

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

ARTICLE V

Directors

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

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

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

ARTICLE VI

Indemnification of Directors, Officers and Others

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

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

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

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

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

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

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

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

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

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

ARTICLE VII

By-Laws

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

ARTICLE VIII

Amendment

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

ARTICLE IX

Incorporator

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

Name	Mailing Address
[Name of Sole Incorporator]	[_____]

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

_____

[Name of Sole Incorporator]

EXHIBIT 5.17(b)

FORM OF BYLAWS OF NEWCO

EXHIBIT 5.17(b)

BY-LAWS

OF

[NAME OF CORPORATION]

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OF

[NAME OF CORPORATION]

ARTICLE I

OFFICES

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

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

BOARD

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

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

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

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

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

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

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

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

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

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

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

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

1) the Chairman;

2) the President;

3) any director chosen by a majority of the directors present.

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

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

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

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

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

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

ARTICLE IV

OFFICERS

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

CHECKS, DRAFTS, NOTES, AND PROXIES

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

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

ARTICLE VI

SHARES AND TRANSFERS OF SHARES

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

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

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

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

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

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

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

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

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

ARTICLE VII

SEAL

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

ARTICLE VIII

FISCAL YEAR

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

ARTICLE IX

INDEMNIFICATION AND INSURANCE

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

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

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

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

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

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

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

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

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

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

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

ARTICLE X

AMENDMENTS

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

APPENDIX A

CONFIDENTIALITY AGREEMENT

NEWPORT NEWS CONFIDENTIAL

February 25, 2004

Dear Sirs/Madams:

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

1. Except as otherwise expressly provided herein, you will not disclose any Confidential Information to any person without the prior written consent of the Agent or the Company (other than to your employees, agents and advisors, including, without limitation, employees, attorneys, accountants, auditors and third party consultants or service providers who are actively working on the Relationship and agree to be bound by the terms of this Agreement (collectively, "**Representatives**")). You shall cause such Representatives to observe the terms of this Agreement and shall be responsible for any breach of this Agreement by your Representatives.

2. You will treat the Confidential Information as confidential and you shall use the Confidential Information solely and exclusively for the evaluation of the Relationship and for no other purpose.

3. You will protect the Confidential Information provided by the Company from inappropriate use or disclosure and that you will use at least the same degree of care you use to protect your own Confidential Information of a similar type, but no less than a reasonable degree of care under the circumstances. You acknowledge the competitive value of the Confidential Information and the damage that could result to the Company if the Confidential Information were used or disclosed, or if the existence of the possible Relationship were disclosed to anyone, except as authorized by this Agreement.

4. This Agreement shall not prevent your disclosure of any Confidential Information (i) that is or has become generally available to the public (other than as a result of a disclosure in violation of this Agreement) or is or becomes available on a non-confidential basis from a source other than the

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

5. In the event that you or anyone to whom you transmit the Confidential Information pursuant to this Agreement becomes legally compelled to disclose any of the Confidential Information, you shall provide the Company with notice of such event promptly upon your obtaining knowledge thereof and sufficiently prior to any disclosure (provided that you are not otherwise prohibited by law from giving such notice) so that the Company may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, you shall furnish only that portion of the Confidential Information that you are advised by counsel you are required to disclose and shall disclose the Confidential Information in a manner reasonably designed to preserve its confidential nature. In the event of such a disclosure, you shall use your commercially reasonable efforts to obtain reliable assurances that confidential treatment will be accorded to the disclosed Confidential Information.

6. You understand and acknowledge that the Company may have outstanding publicly traded securities. You hereby confirm to the Company that you are aware of your responsibilities under the provisions of the securities laws of the United States that may be applicable to persons who possess material non-public information within the meaning of such laws and agree not to use the Confidential Information except in compliance with the securities laws of the United States.

7. Copies of the Confidential Information shall be made by you only in connection with the Relationship.

8. In the event that discussions with you concerning the Relationship are discontinued or your participation in the Relationship is otherwise terminated, you shall, upon our written request, either destroy or redeliver to us all copies of the Confidential Information that were furnished to you by or on behalf of the Company and shall destroy, all copies or reproductions, in whatever medium including electronic copies, of the Confidential Information and all other Confidential Information prepared by you or your Representatives. Termination of this Agreement and return or destruction of the Confidential Information shall not affect any of your obligations with respect to disclosure or use of the Confidential Information nor shall termination affect the respective property rights of the parties hereto.

9. The Company will be entitled, at any time, and without notice to you, to negotiate, disclose, and to otherwise deal in any manner and for any purpose with third parties regarding its own Confidential Information.

10. For a period of one years from the date of this Agreement, no party shall solicit for hire any of the executive officers, technical personnel or other key or management-level employees of any other party, except with the express written permission of such other party. This restriction does not apply to the hiring of individuals who independently apply for employment with a party.

11. No right or license whatsoever is granted to you pursuant to this Agreement with respect to the Confidential Information or otherwise.

12. This Agreement does not constitute the parties hereto as partners, joint venture partners or agents of each other, and no party shall so represent itself.

13. You understand and agree that, except as may otherwise be agreed in writing, the Company does not make any representation or warranty as to the accuracy or completeness of the Confidential Information. You understand and agree that neither the Company nor any of its representatives shall have any liability to you or your Representatives resulting from the use of the Confidential Information by you or your Representatives. You agree that no agreement shall exist between you and the Company with respect to the Relationship unless and until a definitive agreement has been executed and delivered by such parties. You also agree that unless and until a definitive agreement has been executed and delivered by such parties, the Company shall have no legal obligation and you shall have no legal right of any kind with respect to the Relationship or any other Relationship by virtue of this Agreement or any other written or oral expression, except, in the case of this Agreement, for the matters specifically agreed to herein. The term "definitive agreement" shall not include an executed letter of intent or any other preliminary written agreement, nor does it include any written or verbal acceptance of an offer or bid.

14. This Agreement expresses the entire understanding of the parties hereto with respect to its subject matter, and supercedes any prior agreements with respect thereto. This Agreement may not be amended, assigned or modified except in writing signed by duly authorized representatives of all parties. If any part of this Agreement is found to be invalid or unenforceable, that part shall be amended to achieve as nearly as possible the same effect as the original provision and the remainder of this Agreement shall remain in full force and effect.

15. You acknowledge that disclosure of the Confidential Information in violation of the terms of this Agreement could have serious consequences, and agree that, in the event of any breach of this Agreement by you or your Representatives, the Company, in addition to any other remedies available to it, will be entitled to equitable relief, including without limitation, injunction and specific performance, and that it shall not be necessary for the Company to post any bond or other security in connection with any such action or proceeding.

16. No failure or delay by any of the parties hereto in exercising any power, right or privilege under this Agreement shall operate as a waiver thereof, nor does any single or partial exercise of any power, right or privilege preclude any other or further exercise, or the exercise of any other power, right or privilege.

17. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND SHALL INURE TO THE BENEFIT OF AND BE BINDING UPON THE COMPANY AND YOU, AND ITS AND YOUR RESPECTIVE AFFILIATES, SUCCESSORS AND ASSIGNS, INCLUDING ANY SUCCESSOR TO YOU OR SUBSTANTIALLY ALL OF YOUR ASSETS OR BUSINESS. YOU HEREBY CONSENT TO PERSONAL JURISDICTION IN ANY ACTION AND TO SERVICE OF PROCESS BY MAIL, AND WAIVE ANY OBJECTION TO VENUE IN ANY NEW YORK COURT. THIS AGREEMENT IS FURTHER SUBJECT TO THE JURISDICTION OF THE BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.

18. This Agreement shall expire one year from the date of this agreement. In the event that the Relationship results in a definitive agreement between you and the Company, the terms of this Agreement will be superseded by the terms of any agreement we may enter into at a future date.

Very truly yours,

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

By: _____
Name: Stuart Erickson
Title: Principal

Accepted and Agreed to
as of Feb 25, 2003:

Pangea Holdings, Ltd.

By: _____
Name: JORDAN ROSENBERG
Title: PRINCIPAL

Address where information memorandum should be sent to:

APPENDIX B

BIDDING PROCEDURES ORDER

[See Docket No. 1576]

APPENDIX C

APPROVAL ORDER

[See Docket No. 1678]

APPENDIX D

FORM OF AMENDED APPROVAL ORDER

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 11**
SPIEGEL, INC., et al.,	**Case No. 03 - 11540 (CB)**
Debtors.	**(Jointly Administered)**

ORDER, PURSUANT TO, INTER ALIA, 11 U.S.C. §§ 363, 365, 503(b) AND 105(a) AND BANKRUPTCY RULES 2002, 6004, 6006, 7004, 9006, 9007 AND 9008: (I) AUTHORIZING NEWPORT NEWS, INC., NEWPORT NEWS SERVICES, LLC AND NEW HAMPTON REALTY CORP. TO ENTER INTO, PERFORM UNDER AND TAKE ALL ACTIONS NECESSARY TO GIVE EFFECT TO AN AMENDED PURCHASE AGREEMENT WITH NEWPORT NEWS INTERNATIONAL LIMITED, INCLUDING AUTHORIZING ENTRY INTO A SIDE LETTER AGREEMENT IN CONNECTION THEREWITH; (II) AUTHORIZING ASSUMPTION AND ASSIGNMENT OF RELATED EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) AUTHORIZING CERTAIN OF THE DEBTORS TO (A) PERFORM UNDER A TRANSITION SERVICES AGREEMENT IN CONNECTION WITH THE SALE AND (B) TRANSFER CERTAIN ASSETS IN CONNECTION WITH THE SALE; AND (IV) GRANTING CERTAIN RELATED RELIEF

Upon the motion dated April 6, 2004 (Docket No. 1501) (the "NNI Sale Motion")[1] of Spiegel, Inc. and certain of its direct and indirect subsidiaries, each a debtor and debtor in possession herein (collectively, the "Debtors" or the "Spiegel Group"), including Newport News, Inc., Newport News Services, LLC and New Hampton Realty Corp. (collectively, the "Sellers"), seeking the entry of orders pursuant to sections 363, 365, 503(b) and 105(a) of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 of the Federal Rules of Bankruptcy Procedure (the

[1] Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Motion or the Stock Purchase Agreement (as defined herein), as the case may be.

"Bankruptcy Rules"): (I) approving the sale of all or substantially all of the assets of the Sellers (the "Purchased Assets"), free and clear of all Liens (except as set forth in the Stalking Horse Purchase Agreement), to Newport News International Limited (f/k/a Pangea Acquisition 8 Limited) (the "Stalking Horse Bidder") or another successful bidder for a total purchase price of Twenty-Five Million Dollars ($25,000,000) (the "Purchase Price"), subject to adjustments as set forth in the Stalking Horse Purchase Agreement and to any higher and better bids that may be made in accordance with the bidding procedures set forth therein (the "Proposed Sale"); (II) authorizing certain of the Debtors to (A) perform under a Transition Services Agreement in connection with the Proposed Sale and (B) transfer certain assets in connection with the Proposed Sale; (III) authorizing and scheduling an auction at which the Debtors will solicit higher and better bids for the Purchased Assets (the "Auction"); (IV) establishing the bidding procedures to govern the Auction, annexed to the Bidding Procedures Order (as defined below) as Exhibit A (the "Bidding Procedures"); (V) approving those provisions of the Stalking Horse Purchase Agreement providing for the payment of a break-up fee and expense reimbursement for the Stalking Horse Bidder in the event the Stalking Horse Bidder is not the successful bidder at the Auction; (VI) approving the form and manner of notice (the "Cure Amount Procedures") to be used to determine the amounts necessary to cure defaults, if any (the "Cure Amounts") under the executory contracts and unexpired leases to be assumed by the applicable Seller and assigned to the Stalking Horse Bidder (the "Designated Contracts") pursuant to the Asset Purchase Agreement, dated as of April 6, 2004, among the Sellers and the Stalking Horse Bidder (the "Stalking Hose Purchase Agreement") or other successful bidder; (VII) approving the form and manner of notices of the Proposed Sale, Bidding Procedures, Auction and the sale approval hearing (the "Sale Hearing") and of the Cure Amounts and Cure Procedures; and (VIII)

scheduling the Sale Hearing to approve the sale of the Purchased Assets to the highest and best bidder (the "Asset Sale"); and upon the Motion dated June 7, 2004 (Docket No ___) (the "Amending Motion", and together with the NNI Sale Motion, the "Motions") of the Sellers respectfully requesting the entry of an order (the "Amended Approval Order") (i) authorizing the Sellers to enter into an amended purchase agreement with the Stalking Horse Bidder (the "Stock Purchase Agreement"), substantially in the form attached hereto as Exhibit A, which provides for (a) all or substantially all of the assets of the Sellers (the "Purchased Assets") and all or substantially all of the liabilities of the Sellers (the "Assumed Liabilities") to be sold, assigned and transferred to a newly formed, wholly-owned non-Debtor subsidiary of one of the Sellers ("Newco"); (b) all of the ownership interests in Newco (the "Shares") to be transferred to Spiegel; and (c) Spiegel to sell the Shares to the Stalking Horse Bidder; (ii) authorizing the Sellers to enter into, perform under and take all actions necessary to give effect to the Stock Purchase Agreement; (iii) approving that certain side letter agreement between the Sellers and the Stalking Horse Bidder dated June 7, 2004 (the "Side Letter Agreement"), attached hereto as Exhibit B, which sets forth certain terms and conditions on which the Debtors agree to seek the relief sought herein; and (iv) amending, in its entirety, the order of this Court dated May 14, 2004 (the "Approval Order") (Docket No. 1678), which, among other things, approved the sale of the Purchased Assets directly to the Stalking Horse Bidder in accordance with the Asset Purchase Agreement dated May 14, 2004 between the Sellers and the Stalking Horse Bidder (the "Approved Agreement"), and this Court having entered an order on April 21, 2004 approving, among other things, the proposed Bidding Procedures (the "Bidding Procedures Order") (Docket No. 1576); and an Auction having been held on May 11, 2004 in accordance with the Bidding Procedures; and the Sellers having determined that Newport News International Limited has

submitted the highest or otherwise best bid for the Purchased Assets; and the Sale Hearing having been held on May 11, 2004; and adequate and sufficient notice of the Bidding Procedures, the Cure Amount Procedures, the Stalking Horse Purchase Agreement and all transactions contemplated thereunder and in the Approval Order having been given to all parties in interest in these cases and as required by the Bidding Procedures Order; and this Court having entered the Approval Order dated May 14, 2004 (Docket No. 1678); and adequate and sufficient notice of this Amended Approval Order having been given to all parties and interests as required in these cases and as required by the Bidding Procedures Order; and all interested parties having been afforded an opportunity to be heard with respect to the Motions and all relief related thereto; and this Court having reviewed and considered (a) the Motions, (b) the objections thereto, if any, and (c) the arguments of counsel made and the evidence proffered or adduced at the Sale Hearing and the hearing to consider the Amending Motion; and after due deliberation thereon and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:

A. On March 17, 2003 (the "Petition Date"), each of the Debtors filed a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors' chapter 11 cases have been procedurally consolidated for administrative purposes. The Debtors have continued in possession of their respective properties and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. This Court has jurisdiction to grant the relief provided for herein pursuant to 28 U.S.C. §§ 157 and 1334, and this matter constitutes a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue is proper before this Court under 28 U.S.C. §§ 1408 and 1409.

C. This Court entered the Bidding Procedures Order on April 21, 2004 (Docket No. 1576) authorizing, among other things, the Auction and the Bidding Procedures governing the Auction. The Bidding Procedures Order has become a final and non-appealable order.

D. This Court entered the Approval Order on May 14, 2004 (Docket No. 1678) authorizing, among other things, the Asset Sale. The Approval Order has become a final and non-appealable order.

E. Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate.

F. At the Auction, Newport News International Limited (hereinafter, the "Successful Bidder" or the "Stalking Horse Bidder") submitted the highest and best offer of $28,600,000 (the "Successful Bid") for the Purchased Assets on terms set forth in the Purchase Agreement between the Successful Bidder and the Sellers, a copy of which is annexed to the Approval Order as Exhibit A.

G. At the Auction, NNI Acquisition, Inc. (the "Back-up Bidder") submitted the second highest and second best offer of $28,350,000 (the "Back-up Bid") for the Purchased Assets on terms set forth in the purchase agreement between the Back-up Bidder and the Sellers (the "Back-up Purchase Agreement"), a copy of which is annexed to the Approval Order as Exhibit B.

H. The Successful Bidder has requested that the Sellers modify the Approved Agreement to reflect the changes in the Stock Purchase Agreement and to consummate the transaction contemplated under the Stock Purchase Agreement (the "Sale"). The Sellers and the Successful Bidder have agreed to the terms set forth in the Side Letter Agreement.

I. Proper, timely, adequate and sufficient notice of the Motions, the Proposed Sale, the Bidding Procedures, the Auction, the Cure Amount Procedures, the Sale Hearing has been provided to all parties entitled thereto in accordance with sections 102, 105 and 363 of the Bankruptcy Code and Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 of the Bankruptcy Rules, as evidenced by the affidavits of service and publication filed with this Court and based on representations of counsel at the Sale Hearing and the hearing to approve this Amended Approval Order, and no other or further notice of the Motions, the Proposed Sale, the Bidding Procedures, the Auction , the Sale Hearing or the hearing to approve this Amended Approval Order is or shall be required.

J. A reasonable opportunity to object or be heard regarding the Bidding Procedures, the Cure Amount Procedures and the Proposed Sale, and the right of third parties to submit counteroffers thereon, has been afforded to all interested persons and entities, in accordance with sections 102, 105 and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 including: (i) the Office of the United States trustee, (ii) counsel to the Creditors' Committee, (iii) counsel to the agent for the Debtors' postpetition lenders, (iv) counsel for the Successful Bidder, (v) all parties who have delivered to the Debtors or their advisors written expressions of interest in acquiring, or offers to acquire, the Purchased Assets, (vi) the Internal Revenue Service, (vii) all appropriate federal, state and local taxing authorities, (viii) all known persons holding a lien, easement or other interest in or on part or all of the Purchased Assets, (ix) all non-debtor parties to the Designated Contracts and (x) all parties listed on the Master Service List.

K. The Sellers have full corporate power and authority to execute the Stock Purchase Agreement, and all other documents contemplated thereby, including the Side Letter

Agreement, and to consummate the transactions contemplated by the Stock Purchase Agreement. The Stock Purchase Agreement and all of the transactions contemplated thereby have been duly and validly authorized by all necessary corporate actions of the Sellers. No consents or approvals, other than the consent and approval of this Court and those expressly provided for in the Stock Purchase Agreement, are required for the Sellers to consummate the Sale.

L. The Debtors have properly exercised their reasonable business judgment in determining to sell the Purchased Assets to the Successful Bidder pursuant to the Stock Purchase Agreement. The Debtors have shown good and sufficient business justification under sections 363(b) and (l) and section 105(a) of the Bankruptcy Code for the Sale of the Purchased Assets to the Successful Bidder free and clear of Liens, outside a plan of reorganization.

M. The approval of the Sale is in the best interests of the Debtors, their estates, creditors and other parties in interest in that, without exclusion:

a. the Stock Purchase Agreement was negotiated, proposed and entered into in good faith, from arm's length bargaining positions between the Sellers and the Successful Bidder;

b. the Sellers were free to deal with any other party interested in acquiring the Purchased Assets to be sold pursuant to the Stock Purchase Agreement;

c. the Sellers have provided for adequate notice and an opportunity to be heard in connection with the Sale;

d. Successful Bidder is a third party unrelated to the Sellers, and is not a continuation of the Sellers' corporations.

N. The consideration to be paid by the Successful Bidder to the Debtors, pursuant to the Stock Purchase Agreement (i) represents the highest and best offer for the Purchased Assets, (ii) is fair and reasonable, (iii) will provide a greater recovery for Debtors' creditors than would be provided by any other practical, available alternative, and (iv) constitutes

reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

O. The Debtors have demonstrated that (i) it is an exercise of their sound business judgment to assume the Designated Contracts and to assign the Designated Contracts to Newco pursuant to the Stock Purchase Agreement and (ii) the assumption and assignment of the Designated Contracts is in the best interests of the Sellers, their estates and their creditors. The Designated Contracts being assigned to, and the liabilities thereunder being assumed by Newco, and guaranteed by the Successful Bidder pursuant to Section 5.18 of the Stock Purchase Agreement, are an integral part of the Purchased Assets and, accordingly, such assignment and assumption are reasonable and enhance the value of the Sellers' estates.

P. Except where a non-debtor party to a Designated Contract has timely filed a Cure Amount Objection, the payment of the Cure Amounts, as set forth in the Cure Amount Notices, shall be deemed sufficient in all respects to (i) cure defaults, if any, existing prior to the date hereof under any of the Designated Contracts, within the meaning of section 365(b)(1)(A) of the Bankruptcy Code and (ii) to provide compensation or adequate assurance of compensation to any Designated Contracts counterparty for any actual pecuniary loss to such Designated Contracts counterparty resulting from a default prior to the date hereof under any of the Designated Contracts, within the meaning of section 365(b)(1)(B) of the Bankruptcy Code.

Q. The Successful Bidder and Newco have provided adequate assurance of their future performance under the assigned Designated Contracts within the meaning of sections 365(b)(1)(C) (to the extent applicable) and 365(f)(2)(B) of the Bankruptcy Code.

R. As of the Closing Date, each assumed Designated Contract will be in full force and effect and enforceable against the non-debtor party thereto in accordance with its terms.

S. The Successful Bidder is not an "insider" or "affiliate" of the Debtors (as each term is defined in section 101 of the Bankruptcy Code). The sale of the Purchased Assets was proposed, negotiated and entered into by the parties in good faith, from arm's length bargaining positions and without collusion. Neither the Debtors nor the Successful Bidder has engaged in any conduct that would prevent the application of section 363(m) of the Bankruptcy Code or permit the Stock Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code. Consequently, the Successful Bidder is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby.

T. Upon the Contribution Closing, the transfer of the Purchased Assets shall be a legal, valid and effective transfer of property of the Sellers' estates to Newco and shall vest in Newco all right, title and interest of the Sellers in and to the Purchased Assets, free and clear of all Liens in and on the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens[2]), under sections 363(f) and 105(a) of the Bankruptcy Code; provided, however, that Newco, as guaranteed by the Successful Bidder pursuant to Section 5.18 of the Stock Purchase Agreement, shall be liable to pay, perform and discharge the Assumed Liabilities as provided in the Stock Purchase Agreement.

[2] "Real Property Liens" means (i) zoning, building codes and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority; (ii) survey exceptions, reciprocal easement agreements and other customary encumbrances on title to real property that (A) were not incurred in connection with any indebtedness, (B) do not render title to the property encumbered thereby unmarketable and (C) do not, individually or in the aggregate, materially adversely affect the value or use of such property for its current and anticipated purposes and (iii) Liens for taxes, assessments and governmental charges or levies on real property not yet due and payable.

U. Upon the Stock Transfer, the transfer of the Shares shall be a legal, valid and effective transfer of property of the Sellers' estates to Spiegel and shall vest in Spiegel all right, title and interest of the Sellers in and to the Shares, free and clear of all Liens in and on the Shares (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens), under sections 363(f) and 105(a) of the Bankruptcy Code.

V. Upon the Closing, the transfer of the Shares shall be a legal, valid and effective transfer of property of Spiegel to the Successful Bidder and shall vest in the Successful Bidder all right, title and interest of Spiegel in and to the Shares, free and clear of all Liens in and on the Shares (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens), under sections 363(f) and 105(a) of the Bankruptcy Code; provided, however, that the Successful Bidder shall be liable to pay, perform and discharge the Assumed Liabilities as provided in the Stock Purchase Agreement.

W. Except as provided in the Stock Purchase Agreement or this Approval Order, consummation of the Sale does not and will not subject the Successful Bidder to any Liens in and on (i) the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens) and (ii) the Shares existing as of the date hereof or hereafter arising, of or against the Debtors, any affiliate of the Debtors, or any other person by reason of such transfer and assignment under the laws of the United States, any state, territory or possession applicable to such transactions; provided, however, that Newco and the Successful Bidder shall be liable to pay, perform and discharge the Assumed Liabilities as provided in the Stock Purchase Agreement.

X. The Successful Bidder would not have entered into the Stock Purchase Agreement and would not consummate the transactions contemplated thereby, thus adversely

affecting the Debtors, their estates and creditors, if the Sale were not free and clear of all Liens in and on (i) the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens) and (ii) the Shares, or if Newco or the Successful Bidder would, or in the future could, be liable for any Liens (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens).

Y. With respect to any and all entities asserting a Lien in or on part or all of the Purchased Assets either (i) such entity has consented to the Sale free and clear of its Lien, with such interest to attach to the proceeds from the Sale, or (ii) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such Lien, so that the conditions of section 363(f) of the Bankruptcy Code have been met.

Z. The Sale must be approved and consummated promptly to preserve the viability of the Debtors' businesses as a going concern, to maximize the value of the Debtors' estates and to position the Debtors to emerge from chapter 11.

AA. The Debtors have, to the extent necessary, satisfied the requirements of sections 365(b)(1) and 365(f) of the Bankruptcy Code in connection with the Sale, the assumption and assignment of the Designated Contracts, and shall upon assignment thereof on the Closing Date be relieved from any liability for any breach thereof.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The NNI Sale Motion previously entered May 14, 2004, as modified by the Amending Motion, is granted in its entirety (other than with respect to matters previously addressed by the Bidding Procedures Order and other than with respect to the matters addressed

in the Amending Motion), and the Sale and all other transactions contemplated under the Stock Purchase Agreement are hereby approved.

2. Any objections to the entry of the Approval Order, the Amended Approval Order or the relief granted herein that have not been withdrawn, waived, resolved or settled, and all reservations of rights included therein, are hereby overruled.

Approval of the Stock Purchase Agreement and the Side Letter Agreement

3. The terms and conditions of the Stock Purchase Agreement, including, without limitation, (i) the contribution of the Purchased Assets to Newco, (ii) the assumption by the Sellers and the assignment to Newco of the Designated Contracts (iii) the assumption by Newco of the Assumed Liabilities, guaranteed by the Successful Bidder pursuant to Section 5.18 of the Stock Purchase Agreement; (iv) the transfer of the Shares from the Sellers to Spiegel; and (v) the subsequent transfer of the Shares from Spiegel to the Successful Bidder, hereby are authorized and approved in all respects, pursuant to sections 363(b), 365(a), 365(b), 365(f), 365(k) and 105(a) of the Bankruptcy Code.

4. Pursuant to sections 363(b) and 365(a) of the Bankruptcy Code, the Sellers are hereby authorized, directed and empowered to assume fully, perform under, consummate and implement the Stock Purchase Agreement, together with any and all additional instruments and documents, including without limitation the Ancillary Agreements, that reasonably may be necessary or desirable to implement the Stock Purchase Agreement and consummate the Sale, and to take all further actions as may reasonably be requested by the Successful Bidder for the purpose of assigning, transferring, granting, conveying and conferring and contributing to Newco or reducing to Newco's possession the Purchased Assets, including assuming and assigning the Designated Contracts and the Assumed Liabilities (which obligations are guaranteed by the

Successful Bidder pursuant to Section 5.18 of the Stock Purchase Agreement), or as may be necessary or appropriate to the performance of the Sellers' obligations as contemplated by the Stock Purchase Agreement.

5. The terms and conditions of the Side Letter Agreement hereby are approved in all respects, pursuant to sections 363 and 105(a) of the Bankruptcy Code.

Transfer of the Purchased Assets

6. Except as provided in the Stock Purchase Agreement, pursuant to sections 363(f) and 105(a) of the Bankruptcy Code, effective upon the consummation of the transactions contemplated by the Stock Purchase Agreement, (i) the Purchased Assets shall be transferred and assigned to Newco free and clear of any and all Liens in and on the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens); (ii) the Shares shall be transferred and assigned from the Sellers to Spiegel free and clear of all Liens; and (iii) the Shares shall be transferred and assigned from Spiegel to the Successful Bidder free and clear of all Liens, with all such Liens to attach to the net proceeds of the Sale in the order of their priority, with the same validity, force and effect that they now have as against the Purchased Assets, all subject to the rights, claims, defenses and objections, if any, of the Sellers and all interested parties with respect to such Liens.

7. Except as expressly permitted or otherwise specifically provided by the Stock Purchase Agreement or this Amended Approval Order, all persons and entities, including but not limited to all debt security holders, equity security holders, governmental, tax, and regulatory authorities, lenders, trade and other creditors, holding any and all Liens in and on the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, Real Property Liens) against or in the Sellers or the Purchased Assets (whether legal or equitable,

secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated) arising under or out of, in connection with, or in any way relating to, the Sellers, the Purchased Assets, the operation of the Sellers' businesses prior to the Closing Date (as defined in the Stock Purchase Agreement) or the transfer of the Purchased Assets to Newco, hereby are forever barred, estopped, and permanently enjoined from asserting against Newco, the Successful Bidder or their successors or assigns, their property, or the Purchased Assets, such persons' or entities' Liens in and on the Purchased Assets.

8. The transfer of the Purchased Assets to Newco pursuant to the Stock Purchase Agreement constitutes a legal, valid and effective transfer of the Purchased Assets and shall vest Newco with all right, title, and interest of the Sellers in and to the Purchased Assets free and clear of all Liens in and on the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens).

9. The transfer of the Shares from the Sellers to Spiegel upon the Stock Transfer pursuant to the Stock Purchase Agreement constitutes a legal, valid and effective transfer of the Shares and shall vest Spiegel with all right, title, and interest of the Sellers in and to the Shares free and clear of all Liens in and on the Shares.

10. The transfer of the Shares from Spiegel to the Successful Bidder upon the Closing pursuant to the Stock Purchase Agreement constitutes a legal, valid and effective transfer of the Shares and shall vest the Successful Bidder with all right, title, and interest of Spiegel in and to the Shares free and clear of all Liens in and on the Shares.

11. On the Closing Date, each creditor of the Sellers holding a Lien in and on the Purchased Assets is authorized and directed to execute such documents and take all other actions as may be necessary to release its Liens (other than the Assumed Liabilities and, in the case of

Transferred Real Property, the Real Property Liens) in the Purchased Assets, if any, as such Lien may have been recorded or may otherwise exist.

12. This Amended Approval Order is and shall be (a) effective as a determination that, effective on the Closing Date, (i) all Liens in and on the Purchased Assets (other than the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens) or the Shares prior to the Closing Date unconditionally have been released, discharged and terminated, (ii) the transfer and assignment of the Purchased Assets and the Shares has been effected and (iii) the assumption of the Assumed Liabilities has been effected and (b) binding upon and govern the acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, registrars of patents, trademarks or other intellectual property, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to the Purchased Assets or the Shares. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Stock Purchase Agreement.

13. If any person or entity that has filed financing statements or other documents or agreements evidencing any Lien in and on the Purchased Assets shall not have delivered to the Sellers, prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction or releases in respect of all such Liens (other than the Assumed Liabilities and, in the case of Transferred Real Property,

the Real Property Liens) that such person or entity has with respect to the Purchased Assets, the Sellers hereby are authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Purchased Assets.

14. At the Contribution Closing and from and after the Contribution Closing Date, Newco shall assume the Assumed Liabilities pursuant to Section 2.02 of the Stock Purchase Agreement, including without limitation, the Liabilities under the Designated Contracts such obligations being guaranteed by the Successful Bidder pursuant to Section 5.18 of the Stock Purchase Agreement.

15. The Successful Bidder and its Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by the Sellers for and against all losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including reasonable attorneys' and consultants' fees and expenses) actually suffered or incurred by them (collectively, the "Losses"), arising out of or resulting from (i) the Excluded Assets and (ii) the Excluded Liabilities.

16. The Sellers and their Affiliates, officers, directors, employees, agents, successors and assigns shall be indemnified and held harmless by the Successful Bidder, and following the Closing, Newco for and against any and all Losses arising out of or resulting from: (i) the Assumed Liabilities; (ii) the Purchased Assets; and (iii) all Liabilities related to the Transferred Employees to the extent related to the period on or after the Closing Date; (iv) those Liabilities that the Purchaser has agreed to pay pursuant to Sections 2.04 and 5.10 of the Stock Purchase Agreement, and (v) the Obligations set forth in Section 5.18 of the Stock Purchase Agreement.

17. Other than with respect to the Assumed Liabilities and, in the case of Transferred Real Property, the Real Property Liens, (a) under no circumstances shall Newco or the Successful Bidder be deemed a successor of or to the Sellers for any Lien against the Sellers or in or on the Purchased Assets of any kind or nature whatsoever; and (b) following the Closing Date, no holder of a Lien against the Sellers or in or on the Purchased Assets shall interfere with the Newco's title to or use and enjoyment of the Purchased Assets based on or related to such Lien or any actions that the Sellers may take in their chapter 11 cases.

18. All entities, if any, that are presently, or on the Closing Date may be, in possession of part or all of the Purchased Assets are hereby directed to surrender possession of such Purchased Assets to Newco on the Closing Date.

Assumption and Assignment of the Designated Contracts

19. The Sellers hereby are authorized, pursuant to sections 365(a), 365(b) and 365(f) of the Bankruptcy Code, to (a) assume the Designated Contracts and assign them to the Newco, effective upon the Closing, free and clear of any and all Liens (other than the Assumed Liabilities, and in the case of Transferred Real Property, the Real Property Liens) and such Obligations being guaranteed by the Successful Bidder in accordance with Section 5.18 of the Stock Purchase Agreement and (b) execute and deliver to Newco such documents or other instruments as may be necessary to cure, transfer and assign to Newco, and cause Newco to assume the Designated Contracts.

20. Spiegel, Inc. ("Spiegel") is hereby authorized (i) to assume the License and Maintenance Agreement between Ascend Software, Inc. and Spiegel, Inc., dated July 27, 2001 and the Supplement for Maintenance Support Services for End-User Self-Maintenance Agreement between Siemens Information and Communication Networks, Inc. and Spiegel Inc.,

dated December 1, 2003 (collectively, the "Spiegel Designated Contracts"), both of which are Designated Contracts listed in section 2.04 of the Disclosure Schedule, and (ii) to assign the Spiegel Designated Contracts to Newco, without any further order of this Court, effective upon the Closing and in accordance with the Stock Purchase Agreement.

21. The Sellers (and with respect to the Spiegel Designated Contracts, Spiegel) are responsible for and bear the cure and reinstatement costs and expenses for services rendered before the Closing Date required by section 365(b)(i) of the Bankruptcy Code and relating to the assumption and assignment of the Designated Contracts. Other than by contract of the Successful Bidder, the satisfaction of any and all Cure Amounts is and shall remain the obligation of the Sellers and, with respect to the Spiegel Designated Contracts, shall remain the obligation of Spiegel, and neither Newco nor the Successful Bidder shall have any responsibility therefor, whether to any third party or otherwise. The Sellers (and with respect to the Spiegel Designated Contracts, Spiegel) are responsible for the verification of all Cure Amounts, including all administrative responsibilities associated therewith, and shall use their reasonable best efforts to establish the proper Cure Amounts for each Designated Contract, including the filing and prosecution of any and all appropriate proceedings in this Court.

22. Pursuant to the terms of the Stock Purchase Agreement and consistent with the requirements of sections 365(b) and 365(f) of the Bankruptcy Code, the Sellers (and with respect to the Spiegel Designated Contracts, Spiegel) are hereby authorized and directed to pay, at the Closing of the Sale, or as soon thereafter as is practicable or as otherwise ordered by this Court, the Cure Amounts set forth in the Cure Amount Notice with respect to each Designated Contract, and upon such payment, all defaults or other obligations of the Sellers and/or Spiegel, as the case may be, under the Designated Contracts arising or accruing prior to

the date of this Amended Approval Order (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be deemed in all respects cured by the Sellers and/or Spiegel, as the case may be, and neither Newco nor the Successful Bidder shall have any liability or obligation arising or accruing prior to the Closing Date, except as otherwise expressly provided in the Stock Purchase Agreement or as agreed between the Successful Bidder and any Designated Contract counterparty.

23. In the event that a Cure Payment is the subject of a timely Cure Amount Objection by a non-debtor party to a Designated Contract, the Sellers (and with respect to the Spiegel Designated Contracts, Spiegel) are directed to pay the Cure Payment within ten (10) days of the resolution of the dispute by agreement between such non-debtor party and the Sellers and/or Spiegel, as the case may be, or within ten (10) days of the entry of a final order by this Court resolving such objection.

24. No consent from any third party is required under any Designated Contract in order to effectuate assumption and assignment of such Designated Contract.

25. The consent of any non-debtor counter-party to a Designated Contract to the assumption and assignment of said Designated Contract to the Successful Bidder shall be deemed a consent on the part of the non-debtor counter-party to the assumption and assignment of said Designated Contract to Newco.

26. The Designated Contracts shall be transferred to and remain in full force and effect for the benefit of Newco in accordance with their respective terms, notwithstanding any provision in any such Designated Contract (including those of the type described in sections 365(f)(3) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer.

27. Pursuant to section 365(k) of the Bankruptcy Code, upon assignment by the Sellers to Newco of the Designated Contracts at the Closing, the Sellers shall be relieved from any liability for any breach of such Designated Contract occurring after such assignment.

28. Notwithstanding anything to the contrary in this Approval Order, upon assumption of the Designated Contracts, Newco is assuming all Liabilities arising under the Designated Contracts arising on and accruing after the applicable assumption date, such Liabilities being guaranteed by the Successful Bidder pursuant to Section 5.18 of the Stock Purchase Agreement. Newco and the Successful Bidder shall be obligated to pay all amounts for services rendered and goods provided under the Designated Contracts that arise on and after the Closing Date in accordance with the terms and conditions of all such Designated Contracts. Unless included in the Assumed Liabilities, any amounts for services rendered and goods provided under the Designated Contracts during the period before the Closing Date shall not be a liability of Newco and the Successful Bidder.

29. Each counterparty to the Designated Contracts is forever barred, estopped, and permanently enjoined from asserting against Spiegel, the Sellers, Newco or the property of any of them, any default existing as of the date of the Sale Hearing or, against Newco, any counterclaim, defense, setoff or any other claim asserted or assertable against the Sellers and/or Spiegel.

30. No provision in this Approval Order, the Stock Purchase Agreement or any ancillary documents (including the Cure Amount Notice) shall affect (i) the right of any counterparty to a Designated Contract that was entered into after the Petition Date to request payment by any Debtor of an administrative expense pursuant to sections 503(b) and 507(a)(1)

of the Bankruptcy Code (or for the Debtor to make such payment in the ordinary course) or (ii) any defense or counterclaim of any Debtor in respect of any such request.

31. The failure of the Sellers, Spiegel, or Newco to enforce at any time one or more terms or conditions of any Designated Contract shall not be a waiver of such terms or conditions or of the Sellers', Spiegel's or Newco's rights to enforce every term and condition of the Designated Contracts.

Transition Services Agreement and Transfer of Certain Assets of Non-Seller Debtors

32. The applicable non-Seller Debtors hereby are authorized to perform under the Transition Services Agreement to the extent so requested by the Sellers in order for the Sellers to fulfill their obligations thereunder.

33. The applicable non-Seller Debtors hereby are authorized to transfer to NNI the Non-Seller Assets, including the Sun E450 box, the market value of which is approximately $5,000, prior to the Closing without any further order of this Court and to utilize the Non-Seller Assets to provide the Transition Services in accordance with the Transition Services Agreement.

Additional Provisions

34. The Successful Bidder is a good faith purchaser of the Purchased Assets. Accordingly, in the absence of a stay pending appeal, if the Successful Bidder consummates the Sale at any time after entry of this Amended Approval Order, the Successful Bidder shall be entitled to the benefits and protections of section 363(m) of the Bankruptcy Code in the event of a reversal or modification on appeal of this Approval Order.

35. The consideration provided by the Successful Bidder for the Purchased Assets under the Stock Purchase Agreement shall be deemed to constitute reasonably equivalent

value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia, and may not be avoided under section 363(n) of the Bankruptcy Code.

36. The terms and provisions of the Stock Purchase Agreement, together with the terms and provisions of this Amended Approval Order, shall be binding in all respects upon the Sellers, Spiegel, Newco, the Successful Bidder and their respective affiliates, successors and assigns, including, without limitation, any trustee or examiner appointed in the Sellers' chapter 11 cases or any case under chapter 7 of the Bankruptcy Code to which the Sellers' chapter 11 cases may be converted, any affected third parties, including, without limitation, the counterparties to the Designated Contracts and all non-debtor parties to the Assumed Liabilities, and all persons asserting a claim against or interest in the Sellers' estates or any of the Purchased Assets.

37. Except as otherwise expressly set forth in the Stock Purchase Agreement, the Ancillary Agreements (and any and all other documents and agreements executed in connection with the Stock Purchase Agreement) and this Amended Approval Order, the Successful Bidder shall not have any liability or responsibility for any obligation of, or claim against, the Sellers arising under or related to the Purchased Assets or the Shares. Without limiting the generality of the foregoing, except as otherwise expressly set forth in the Stock Purchase Agreement, the Ancillary Agreements (and any and all other documents and agreements executed in connection with the Stock Purchase Agreement) and this Amended Approval Order, the Successful Bidder shall not be liable for any claims against the Sellers or any of their predecessors or affiliates, and the Successful Bidder shall not have any successor or vicarious liabilities of any kind or character whether known or unknown as of the Closing Date,

now existing or hereafter arising, whether fixed or contingent, with respect to the Sellers or any obligations of the Sellers arising prior to the Closing Date, including, but not limited to, liabilities on account of any taxes arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of the Sellers' businesses prior to the Closing Date.

38. In accordance with Section 5.14 of the Stock Purchase Agreement, each of the Sellers shall execute all forms or certifications required in order to permit the Purchaser or one or more of its Affiliates to use the words "Newport News" in their corporate and trade names. To the extent that the Sellers desire to continue using "Newport News" in their corporate and trade names solely in connection with the consummation of the Sellers' reorganization, the Sellers hereby are permitted to do so.

39. Any Liens attaching to any of the Purchased Assets prior to the transaction contemplated under the Stock Purchase Agreement shall remain attached from and after the Contribution Closing and until the sale of the Shares to the Purchaser. Notwithstanding anything to the contrary in this Amended Approval Order, upon the effectiveness of the Closing, the transfer of the Purchased Assets and the Assumed Liabilities from the Sellers to Newco and the sale of the Shares from Spiegel to the Successful Bidder shall be free and clear of all Liens.

40. The effectiveness of the Contribution Closing and the Stock Transfer are subject to and conditioned upon the effectiveness of the Closing. If the Closing does not occur, the Sellers are hereby authorized to accept and Newco is hereby directed, as soon as is practicable, but no more than five (5) Business Days following the Contribution, to assign, transfer, grant, convey confer and contribute back to the Sellers the Purchased Assets as if the Contribution had never occurred. If the Closing does not occur, the Sellers are hereby authorized

to accept and Spiegel is hereby directed to transfer back to the Sellers the Shares as if the Stock Transfer had never occurred.

41. Until the consummation of the Closing, Newco is deemed to guaranty the Liens attaching to those Purchased Assets.

42. The Successful Bidder shall not be required to seek or obtain relief from the automatic stay under section 362 of the Bankruptcy Code to enforce any of its remedies under the Stock Purchase Agreement or any other Sale related document. The automatic stay imposed by section 362 of the Bankruptcy Code is modified solely to the extent necessary to implement the preceding sentence.

43. The failure to include specifically any particular provisions of the Stock Purchase Agreement or the Side Letter Agreement in this Amended Approval Order shall not diminish or impair the efficacy of such provisions, it being the intent of this Court that the Stock Purchase Agreement and the Side Letter Agreement be authorized and approved in their entirety.

44. The Stock Purchase Agreement and any related agreements, documents or other instruments, including, without limitation, the Side Letter Agreement and the Ancillary Agreements, may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of this Court, provided that any such modification, amendment or supplement has no material adverse effect on the Sellers' estates or their creditors.

45. This Court retains the jurisdiction (i) to enforce and implement the terms and provisions of the Stock Purchase Agreement, all amendments thereto authorized by this Amended Approval Order, any waivers and consents thereunder, and of each of the agreements, documents and instruments executed in connection therewith, including, without limitation, the Ancillary Agreements, (ii) to compel delivery of the Purchased Assets to Newco, (iii) to compel

delivery of the Successful Bid to the Sellers under the Stock Purchase Agreement, (iv) compel the transfer of the Purchased Assets from Newco to the Sellers as if the Contribution had never occurred, in the event that the Closing does not occur, (v) compel the transfer of the Shares from Spiegel to the Sellers as if the Stock Transfer had never occurred, in the event that the Closing does not occur; (vi) to enforce the guaranty required of the Purchaser as set forth in Section 5.18 of the Stock Purchase Agreement (vii) to resolve any disputes, controversies or claims arising out of or relating to the Stock Purchase Agreement and (viii) to interpret, implement and enforce the provisions of this Amended Approval Order.

46. Nothing contained in any subsequent order of this Court, or in any plan of reorganization or any order of this Court confirming such plan in the Sellers' chapter 11 cases, shall conflict with or impair the provisions of the Stock Purchase Agreement or the terms of this Amended Approval Order.

47. The Back-up Bidder shall be bound to the terms of its Back-up Bid until the earlier to occur of (i) the closing of the purchase of the Purchased Assets and the assumption of the Assumed Liabilities, or (ii) forty-five (45) days from the Auction. For so long as the Back-up Bidder is bound to the terms of the Back-up Bid, the Debtors may submit an order on notice to counsel for the Back-up Bidder, counsel to the Creditors' Committee, and the United States trustee and counsel to the agent for the Debtors' postpetition lenders substantially on the terms of this Amended Approval Order approving the Back-up Bid, subject to such further modifications as may be agreed to by the Debtors and the Back-up Bidder. If a Qualified Overbidder other than the Stalking Horse Bidder fails to consummate the sale for any reason and the Stalking Horse Bidder has made the Back-up Bid, then the Stalking Horse Bidder shall purchase the Purchased Assets on the terms and conditions set forth in the Stalking Horse

Purchase Agreement (except the Closing Date shall be extended for a reasonable period of time, not to exceed thirty (30) days, to allow the Stalking Horse Bidder to close the transaction) and at the final purchase price bid by the Stalking Horse Bidder at the Auction, without requiring further Bankruptcy Court Approval.

48. The requirement set forth in Rule 9013-1(b) of the Local Rules for the United States Bankruptcy Court for the Southern District of New York that any motion or other request for relief be accompanied by a memorandum of law is deemed satisfied by the contents of the Motion.

49. Proper, timely, adequate and sufficient notice of the Motions, the Proposed Sale, the Bidding Procedures, the Auction, the Cure Amount Procedures and Sale Hearing and the hearing to approve this Amended Approval Order has been provided to all parties entitled thereto in accordance with sections 102, 105 and 363 of the Bankruptcy Code and Rules 2002, 6004, 6006, 7004, 9006, 9007 and 9008 of the Bankruptcy Rules, as evidenced by the affidavits of service and publication filed with this Court and based on representations of counsel at the Sale Hearing and the hearing to approve this Amended Approval Order, and no other or further notice of the Motion, the Proposed Sale, the Bidding Procedures, the Auction, the Sale Hearing or the hearing to approve this Amended Approval Order is or shall be required. This Amended Approval Order constitutes an itemized statement of the property sold, the name of each purchaser and the price received for the property as a whole as required pursuant to Rule 6004(f)(1) of the Bankruptcy Rules.

50. Pursuant to Bankruptcy Rules 6004(g) and 6006(d), this Amended Approval Order shall be effective and enforceable immediately upon entry.

Dated: New York, New York
June __, 2004

HONORABLE CORNELIUS BLACKSHEAR
UNITED STATES BANKRUPTCY JUDGE

DISCLOSURE SCHEDULE

The Disclosure Schedule to the Asset Purchase Agreement is incorporated herein in its entirety, provide however that Section 3.02(c) is amended to include the following:

The Purchaser acknowledges and agrees that the Sellers obtained the approvals to the transfer to the Purchaser of the Designated Contracts listed in Section 10.01(g) of the Disclosure Schedule to the Asset Purchase Agreement as contemplated under the Asset Purchase Agreement. Notwithstanding the foregoing, the Sellers make no representation as to whether the execution, delivery or performance of this Agreement and the Ancillary Agreement conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, acceleration or cancellation of, any such Designated Contract.