

EXHIBIT A
Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of February 27, 2009 (the "Effective Date"), between NAILITE INTERNATIONAL, INC., a Delaware corporation, as debtor and debtor-in-possession ("Seller"), and PREMIER EXTERIORS, LLC, a Delaware limited liability company ("Purchaser").

WITNESSETH:

WHEREAS, Seller is engaged in the business of developing, manufacturing, marketing and selling molded polypropylene siding for the home remodeling and construction markets (the "Business");

WHEREAS, upon the execution of this Agreement, Seller has agreed to file a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), thereby commencing its bankruptcy case (the "Bankruptcy Case");

WHEREAS, upon the terms and conditions and subject to the conditions set forth herein and as authorized under Sections 105, 363, and 365 of the Bankruptcy Code, Seller desires to sell and Purchaser desires to purchase certain of the assets of Seller (as more fully described in Section 2.1), including, but not limited to (1) Accounts Receivable, general intangibles, and all rights to the payment of money, (2) inventory, work-in-process, raw materials and goods in transit; (3) Furniture and Equipment, Hardware and motor vehicles, (4) other incidental assets, both tangible and intangible, collectively comprising the operations of Seller, and (5) Assumed Intellectual Property, but excluding the Excluded Assets as defined in Section 2.2 hereof (the "Sale of Assets"), (the Sale of Assets, together with all transactions necessary to consummate the sale and purchase of such Assets, are referred to herein as the "Transactions") in exchange for the payment to the Seller of the Purchase Price (as defined below);

WHEREAS, the Seller believes, following consultation with its advisors and professionals and consideration of available alternatives, that, in light of the current circumstances, a sale of its assets is necessary to maximize value and is in the best interests of the Seller and its shareholders and creditors; and

WHEREAS, the Transactions contemplated by this Agreement are subject to the approval of the Bankruptcy Court and will be consummated only pursuant to a Sale Order (as defined below) to be entered in the Bankruptcy Case and other applicable provisions of the Bankruptcy Code;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, and intending to be bound hereby, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 Certain Definitions.

For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1 or in other Sections of this Agreement, as identified in the chart in Section 1.2:

"Accounts Receivable" means, with respect to Seller, all accounts receivable and rights to payment of Seller and the full benefit of all security for such accounts or debts, consisting of all accounts receivable in respect of goods shipped or products sold or services rendered to customers, all rights under purchase orders and invoices, any other miscellaneous accounts receivable and any inter-company accounts receivable or amounts owed to Seller by any Affiliate.

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

"Allowed Administrative Amount" means \$650,000 as such amount may be adjusted in accordance with Schedule 2.3.

"Alternate Transaction" means if a Seller sells, transfers, leases or otherwise disposes of, directly or indirectly, including through an asset sale, stock sale, merger, or other similar transaction, all or substantially all or a material portion of the Purchased Assets in a transaction or series of transactions with a party or parties other than the Purchaser in accordance with the Bidding Procedures Order.

"Assumed Contracts" means all Contracts of Seller listed on Schedule 1.1(a) that have not been excluded by Purchaser as of the Closing Date pursuant to Section 2.1(c). Notwithstanding anything to the contrary in the Agreement or the Schedules, the term "Assumed Contracts" shall not include any contracts not listed on Schedule 1.1(a).

"Assumed Executory Contracts" means all Assumed Contracts and Assumed Leases.

"Assumed Intellectual Property" means all intellectual property rights owned or used by Seller set forth on Schedule 1.1(b).

"Assumed Leases" means all Leases of Seller listed on Schedule 1.1(c) that have not been excluded by Purchaser as of the Closing Date pursuant to Section 2.1(c). Notwithstanding anything to the contrary in this Agreement or the Schedules, the term "Assumed Leases" shall not include any leases not listed on Schedule 1.1(c).

"Assumption Order" means an Order of the Bankruptcy Court authorizing the assumption or the assumption and assignment of a Contract or Lease pursuant to Section 365 of the Bankruptcy Code, which Order may be the Sale Order.

"Avoidance Actions" means all avoidance actions or similar causes of action the Seller has or could have arising under or authorized by Sections 544 through 553 of the Bankruptcy Code, or under state statutory or common law, including any proceeds thereof.

"Bidding Procedures" will mean the procedures set forth in the Order of the Bankruptcy Court in the Bankruptcy Case.

"Budget" has the meaning set forth in the DIP Agreement.

"Business Day" means any day that is not a Saturday or a Sunday and is not a day on which national banking associations in Wilmington, Delaware, are closed for business.

"Claim" has the meaning set forth in Section 101(5) of the Bankruptcy Code.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any contract, indenture, note, bond, personal property or other lease, license, purchase or sale order, warranties, commitments, or other written or oral agreement, other than a Lease, to which the Seller is a party.

"Cure Costs" means amounts that must be paid and obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code, in connection with the assumption and/or assignment of the Assumed Leases and the Assumed Contracts.

"Current Accounts Receivable" means the aggregate value of the accounts receivable, as reflected in the "current" column of the accounts receivable aging dated February 1, 2009 that was provided to Purchaser by Seller.

"Designation Deadline" means 5:00 p.m. eastern time on the date five business day prior to the Bid Deadline.

"DIP Agreement" means that certain Secured Super Priority Debtor-In-Possession Credit Facility to be entered into between the DIP Lender as lender and Seller as borrower in an amount not to exceed \$3.0 million.

"DIP Lender" means Premier Exterior Holdings, L.P.

"Documents" means, without limitation, all files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, title policies, customer lists, regulatory filings, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and

other similar materials related to the Business and the Purchased Assets, in each case whether or not in electronic form.

"Employees" means those individuals who are employed by Seller in connection with the Business as of the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Contract" means any Contract that is not an Assumed Contract.

"Excluded Executory Contract" means any Excluded Contract or Excluded Lease.

"Excluded Lease" means any Lease that is not an Assumed Lease.

"Executory Contract" means any Contract or Lease that is executory as that term is used in Section 365 of the Bankruptcy Code.

"Excluded Matter" means (i) any material change in the United States or foreign economies or financial markets in general, (ii) any material change that generally affects the industry in which Seller operates, (iii) any material change arising in connection with acts of God, hostilities, acts of war, sabotage, terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage, terrorism or military actions existing or underway as of the date hereof, (iv) any change in applicable Laws or GAAP or generally accepted interpretations thereof, or (v) any actions taken or proposed to be taken by Purchaser or any of its affiliates or with Purchaser's prior written consent or permission; (vi) any actions required by law, (vii) any change resulting from the public announcement of this Agreement, compliance with the terms of this Agreement or the consummation of the Transactions, including by reason of the identity of the Purchaser or consummation by the Purchaser of its plans or intentions regarding the operation of the business; (viii) any material adverse change effect resulting from the filing of the Bankruptcy Case.

"Final Order" means an Order of the Bankruptcy Court the operation of which has not been modified or amended without the consent of Purchaser, reversed or stayed, as to which Order no appeal or motion, application, petition or writ seeking reversal, reconsideration, reargument, rehearing, certiorari, amendment, modification, a stay or similar relief is pending, and the time to file any such appeal or motion, application, petition or writ has expired.

"Furniture and Equipment" means all furniture, fixtures, furnishings, equipment (including, but not limited to, tooling and molds), vehicles, leasehold improvements and other tangible personal property owned by Seller and used in the conduct of the Business, including all such artwork, desks, chairs, tables, Hardware, copiers, telephone lines and numbers, telecopy machines and other telecommunication equipment, cubicles and miscellaneous office furnishings and supplies.

"Governmental Body" means any government or governmental or regulatory body thereof, or political subdivision thereof, whether foreign, federal, state, or local, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

"Hardware" means any and all computer and computer-related hardware, including, but not limited to, computers, file servers, facsimile servers, scanners, printers and networks.

"Knowledge" means the actual knowledge of Charles Jerasa and Timothy Self.

"Law" means any federal, state, local or foreign law, statute, code, ordinance, rule or regulation or common law requirement.

"Leases" means all unexpired leases, subleases, licenses or other agreements, including all amendments, extensions, renewals, guaranties or other agreements with respect thereto, pursuant to which the Sellers hold or use any non-residential real property.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits, proceedings (public or private) or claims or any proceedings by or before a Governmental Body.

"Liability" means any debt, liability or obligation (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due), and including all costs and expenses relating thereto.

"Lien" has the meaning set forth in Section 101(37) of the Bankruptcy Code, including any encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, proxy, voting trust agreement, right of setoff, recoupment or warranty, transfer restriction under any shareholder or similar agreement or encumbrance or any other right of a third party in respect of an asset.

"Loan Purchase Agreement" means that certain Loan Purchase Agreement dated January 26, 2009 among Purchaser as buyer, Seller as borrower and National City Bank, Firsttrust Bank and Sovereign Bank as sellers.

"Material Adverse Change" means any event, occurrence or effect regardless of whether such event, occurrence or effect constitutes a breach of any representation, warranty or covenant of Seller that has had or would be reasonably likely to result in, individually or when considered together with any other events, occurrences or effects (i) a material adverse change in the business, financial condition, or assets or property of the Seller taken as a whole or (ii) a material adverse change in the Transaction or to the ability of the Seller perform its obligations under this Agreement, other than, in either case, to the extent such effect or change results from or relates to an Excluded Matter.

"Note Holder" means the Purchaser.

"Notes" means collectively those certain promissory notes representing outstanding debt of Seller, held by Purchaser pursuant to the Loan Purchase Agreement with an aggregate original principal amount of Twenty Eight Million One Hundred Thousand And One Dollars (\$28,100,001.00), and as listed on Schedule 1 of the Loan Purchase Agreement.

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Body.

"Ordinary Course of Business" means the ordinary and usual course of normal day-to-day operations of the Business through the date hereof, consistent with past practice.

"Permits" means any approvals, authorizations, consents, licenses, permits or certificates of a Governmental Body.

"Person" means any individual, corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"Petition Date" means the date on which the Seller filed its petition for relief under Chapter 11 of the Bankruptcy Code.

"Procedures Order" means the order of the Bankruptcy Court approving procedures for the sale of all or substantially all of Seller's assets, as at any time amended.

"Products" means any and all products and/or goods developed, manufactured, marketed, and/or sold by Seller.

"Purchaser Adverse Effect" means an adverse effect on the ability of Purchaser to consummate the Transactions or perform its obligations under this Agreement.

"Requirements of Law" means, as to any Person, any law, statute, treaty, rule, regulation, right, qualification, license or franchise or determination of an arbitrator or a court or other Governmental Body or stock exchange, in each case applicable or binding upon such Person or any of its property or to which such Person or any of its property is subject or pertaining to Transactions.

"Sale Order" means an order of the Bankruptcy Court in the form annexed hereto as Exhibit A, or such other form as is reasonably acceptable to the Purchaser.

"Tax Authority" means any government, or agency, instrumentality or employee thereof, charged with the administration of any law or regulation relating to Taxes.

"Taxes" means (i) all federal, state, local or foreign taxes, charges or other assessments, including, without limitation, all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, (ii) any item described in clause (i) for which a taxpayer is liable as a transferee or successor, by reason of the regulations under Section 1502 of the Internal Revenue Code, or by contract, indemnity or otherwise, and (iii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Tax Authority in connection with any item described in clause (i) or (ii).

"Tax Return" means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes (including any attachments thereto or amendments thereof).

"Warranty Obligation" means all claims (as that term is defined in Section 101(5) of the Bankruptcy Code) and/or asserted right to payment arising from or related to the sale of Products, including, but not limited to, claims arising under Article Two of the Uniform Commercial Code or otherwise under the Law regardless of whether such Warranty Obligations, claims, and/or asserted rights are (i) reduced to judgment, (ii) arose prepetition or postpetition, (iii) liquidated or unliquidated; (iv) fixed or contingent, (v) matured or unmatured, (vi) disputed or undisputed, (vii) legal or equitable, (ix) secured, unsecured, or administrative, or (x) known or unknown.

1.2 Terms Defined Elsewhere in this Agreement. For purposes of this Agreement, the following terms have meanings set forth in the sections indicated:

<u>Term</u>	<u>Section</u>
Agreement	Recitals
Assumed Liabilities	2.3
Auction Date	7.2(a)
Balance Sheet	5.7
Bankruptcy Case	Recitals
Bankruptcy Code	Recitals
Bankruptcy Court	Recitals
Bid Deadline	7.2(a)
Bidding Procedures Order	7.2(a)
Break-Up Fee and Expense Reimbursement	7.4
Business	Recitals
Closing	4.1
Closing Date	4.1
Credit Bid Amount	3.1(a)
Credit Documents	12.14(a)
Cure Costs Deadline	2.4(a)
Effective Date	Recitals
Environmental Laws	5.15(e)(i)
Excluded Assets	2.2
Excluded Liabilities	2.6
Hazardous Substance	5.15(e)(iii)
Initial Incremental Bid Amount	7.2(b)
IRS	5.13(c)
Mezzanine Lender	10.1(g)
Prior Event	12.14(a)
Purchased Assets	2.1(b)
Purchase Price	3.1(a)
Purchaser	Recitals
Purchaser Group	12.14(a)
Purchaser's New Hires	9.1(b)

<u>Term</u>	<u>Section</u>
Qualified Bid	7.2(b)
Qualified Bidder	7.2(b)
Released Claims	12.14(a)
Remedial Action	5.15(e)(ii)
Removal	5.15(e)(ii)
Response	5.15(e)(ii)
Sale Hearing	7.2(a)
Sale Motion	7.1(a)
Sale of Assets	Recitals
Seller	Recitals
Seller Group	12.14(a)
Tax Purchase Price	3.1(c)
Termination Date	4.4(b)
Transactions	Recitals
Transfer Taxes	11.1
WARN Act	2.6(e)

1.3 Other Definitional and Interpretive Matters.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

Calculation of Time Period. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

Dollars. Any reference in this Agreement to \$ shall mean U.S. dollars.

Exhibits/Schedules. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement. Any Schedule that is referenced herein but is not attached hereto on the date of execution of this Agreement shall be prepared, delivered and attached to this Agreement prior to the Closing.

Gender and Number. Any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

Headings. The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this

Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

Herein. The words such as "herein," "hereinafter," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

Including. The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

ARTICLE II

PURCHASE AND SALE OF ASSETS; ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of Asssts.

(a) On the terms and subject to the conditions set forth in this Agreement, at the Closing, immediately upon the consummation of the transactions provided in Section 3.1, Purchaser shall purchase, acquire and accept from Seller, and Seller shall sell, transfer, convey and deliver to Purchaser, all of Seller's right, title and interest in, to and under the Purchased Assets, free and clear of all Liens (except for Assumed Liabilities (as such term is defined in Section 2.3)), Claims, interests and encumbrances other than those created by Purchaser and other than Permitted Exceptions to the fullest extent permitted by Sections 105, 363 and 365 of the Bankruptcy Code.

(b) For all purposes of and under this Agreement, the term "Purchased Assets" shall mean the following properties, assets and rights of Seller (other than the Excluded Assets) existing as of the Closing, real or personal, tangible or intangible and whether or not related to the Business, including:

(i) all general intangibles, promissory notes and Accounts Receivable of Seller in substance and composition substantially similar to the schedule previously provided to Purchaser by Seller;

(ii) all inventory, including, but not limited to, raw materials, work-in-process, finished goods, goods in transit, supplies, packaging, materials and labels in substance and composition substantially similar to the schedule previously provided to Purchaser by Seller;

(iii) the Furniture and Equipment;

(iv) the Assumed Intellectual Property, as identified on Schedule 1.1(b);

(v) all Assumed Leases, together with all security deposits related thereto and all permanent fixtures, improvements and appurtenances thereto and associated with such Assumed Leases, and any causes of action relating to past or present breaches of the Assumed Leases;

(vi) all Assumed Contracts, together with all security deposits related thereto and the right to receive income in respect of such Assumed Contracts on or after the Closing Date, and any causes of action relating to past or present breaches of the Assumed Contracts;

(vii) all Permits used by Seller in the Business, to the extent transferable;

(viii) all supplies owned by Seller and used in connection with the Business in existence as of the Closing Date;

(ix) all rights of Seller under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold, or services provided, to Seller or to the extent affecting any Purchased Assets other than any warranties, representations and guarantees pertaining to any Excluded Assets;

(x) all goodwill and other intangible assets associated with the Business, including customer and supplier lists and the goodwill associated with the Assumed Intellectual Property;

(xi) all insurance policies or rights to proceeds thereof relating to the Purchased Assets;

(xii) any asset that requires the consent of a third party to be transferred, assumed or assigned notwithstanding the provisions of Section 365 of the Bankruptcy Code, as to which such consent has not been obtained as of the Closing Date, upon receipt of such consent on or after the Closing Date and entry of an appropriate Assumption Order;

(xiii) any rights, claims, causes of action of Seller (other than Avoidance Actions) against third parties relating to the Purchased Assets;

(xiv) all other tangible or intangible assets other than Excluded Assets;
and

(xv) any Avoidance Actions.

(c) At any time prior to and including the actual Closing, Purchaser may designate any of the Purchased Assets as additional Excluded Assets by giving written notice to Seller setting forth in reasonable detail the Purchased Assets so designated, provided that any

such exclusion of tangible Purchased Assets (i.e., inventory or equipment) shall be *de minimus*. Purchaser acknowledges and agrees that there shall be no reduction in the Purchase Price if it elects to designate any Purchased Assets as Excluded Assets. Notwithstanding any other provision hereof, the Liabilities of Seller under or related to any Purchased Asset excluded under this Section 2.1(c) will constitute Excluded Liabilities.

2.2 Excluded Assets. Nothing herein contained shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser, and Seller shall retain all right, title and interest to, in and under the Excluded Assets. For all purposes of and under this Agreement, the term "Excluded Assets" shall mean:

- (a) cash, cash equivalents, bank balances, bank deposits or similar cash items of Seller and its Affiliates;
- (b) all Excluded Leases;
- (c) all Excluded Contracts;
- (d) all Documents of Seller, including but not limited to, those that are used in, held for use in or intended to be used in, or that arise primarily out of, the Business, including Documents relating to Products, services, marketing, advertising, promotional materials, Assumed Intellectual Property, personnel files for Employees and all files, customer files and documents (including credit information), supplier lists, records, literature and correspondence, whether or not physically located on any of Seller's premises, and any minute books, stock ledgers, corporate seals and stock certificates of Seller and its Affiliates, and other similar books and records that Seller or its Affiliates is required by Law to retain or that Seller reasonably determines are necessary or advisable to retain including Tax Returns, financial statements and corporate or other entity filings; provided, however, that Purchaser shall have the right to make and retain copies (at Seller's expense) of any portions of such Documents that relate to the Business or any of the Purchased Assets; provided further, however, to the extent any of the foregoing Documents remain at a facility, office or other premises of Seller, Seller agree that Purchasers shall be entitled, through its officers, employees, consultants and representatives, to have access to such Documents upon reasonable advance notice to Seller;
- (e) all insurance policies or rights to proceeds thereof relating to the Excluded Assets;
- (f) any rights, claims or causes of action of Seller against third parties relating to the Excluded Assets;
- (g) any assets of Seller designated by Purchaser as Excluded Assets pursuant to Section 2.1(c);
- (h) any rights of Seller under this Agreement;
- (i) assets held in trust for the benefit of Employees, such as assets held under any employee benefit plan;

- (j) all rights of Seller under any Contracts that are not Assumed Contracts;
- (k) any federal, state, local, and foreign tax refunds, credits or benefits or income tax attributes of Seller pertaining to or arising out of periods prior to the Closing Date;
- (l) all letters of credit (including any letter of credit posted in connection with a lease of real property) and all deposits (excluding those arising out of or relating to the Assumed Liabilities), rights to refunds (including tax refunds paid in cash) and prepaid charges and expenses of Seller;
- (m) all prepayments made with regard to insurance policies not assumed by the Purchaser pertaining to or arising out of periods prior to the Closing Date; and
- (n) all proceeds of all of the foregoing.

2.3 Assumption or Discharge of Liabilities. On the terms and subject to the conditions and limitations set forth in this Agreement, at the Closing, immediately upon the consummation of the transactions provided in Section 3.1, Purchaser shall assume, effective as of the Closing, and shall timely perform and discharge in accordance with their respective terms:

- (a) all Liabilities of Seller under the Assumed Contracts, if any, to the extent that such Liabilities arise on or after the Closing Date in the Ordinary Course of Business and all obligations in connection with the demonstration of adequate assurance of future performance required under Section 365(b)(1)(C) of the Bankruptcy Code;
- (b) any and all earned vacation pay, sick leave and other paid time off of the Employees of the Seller who are hired by Purchaser immediately after the Closing and which arise at any time before, on or after the Closing Date;
- (c) all Liabilities of the Seller as of the Closing Date for any accrued and unpaid claims that are allowed administrative expenses pursuant to Section 503(b)(9) or 546(c) of the Bankruptcy Code in an aggregate amount not to exceed the Allowed Administrative Amount;
- (d) all Liabilities of the Seller under the DIP Agreement; and
- (e) all Liabilities for goods ordered or delivered after the Closing regardless of whether ordered by the Seller before the Closing.

All of the liabilities referenced in this Section 2.3 shall be referred to in this Agreement as the "Assumed Liabilities."

2.4 Executory Contract Designation.

- (a) Prior to the Designation Deadline, the Purchaser shall designate each Executory Contract that the Purchaser elects to be assumed and assigned to it as of the Closing Date. Seller shall pay, satisfy or otherwise discharge its obligations with respect to the Cure

Costs related to such Executory Contracts no later than 45 days after the Closing Date (the "Cure Costs Deadline").

(b) Subsequent to the Designation Deadline and on or prior to the Cure Costs Deadline, Purchaser may designate any Executory Contract that the Seller has not rejected pursuant to Section 365 of the Bankruptcy Code as an Assumed Contract or Assumed Lease without being required to pay the Seller any additional Purchase Price, and Seller shall use its reasonable efforts to seek an Assumption Order with respect to any such Executory Contract so designated, provided, however, that Purchaser shall be obligated to pay any Cure Costs with respect to any such Assumed Executory Contract; and provided, further, however, that Purchaser advances or reimburses Seller for any and all costs related to or incurred in connection with the Seller seeking entry of the Assumption Order with respect to such Executory Contract. Seller shall pay, satisfy or otherwise discharge its obligations with respect to Cure Costs related to the assumption and assignment of such Executory Contracts no later than 45 days after entry of the Assumption Order with respect to any Executory Contract assumed or assigned to Purchaser pursuant to this section 2.4(b).

(c) From the Effective Date through and including the Cure Costs Deadline, Seller shall not reject any Executory Contract unless otherwise agreed to in writing by Purchaser.

2.5 Assignment of Contracts and Rights. To the maximum extent permitted by the Bankruptcy Code, the Purchased Assets and the Seller's rights to the Assumed Intellectual Property shall be assumed and assigned to Purchaser pursuant to Section 365 of the Bankruptcy Code as of the Closing Date or such other date as specified in an Order or this Agreement, as applicable. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any asset or any right thereunder if an attempted assignment without the consent of a third party would constitute a breach or in any way adversely affect the rights of Purchaser or Seller thereunder. If such consent is not obtained or such assignment is not attainable pursuant to Sections 105, 363 or 365 of the Bankruptcy Code other than as a result of the failure to pay Cure Costs which are not Assumed Liabilities, then such Purchased Assets shall not be transferred hereunder and the Closing shall proceed with respect to the remaining Purchased Assets without any reduction in Purchase Price.

2.6 Excluded Liabilities. Purchaser shall not assume, or in any way be liable or responsible for, any Liabilities, obligations or debts of Seller of any type or nature, known or unknown, contingent or otherwise other than the Assumed Liabilities, which exist or are otherwise based on acts or omissions of Seller occurring on, before or after the Closing other than the Assumed Liabilities (collectively, the "Excluded Liabilities"), and Seller shall retain and pay or discharge when due all of the Excluded Liabilities. For the avoidance of doubt, unless otherwise agreed by Purchaser in writing, the Excluded Liabilities include, but are not limited to, the following:

(a) all Liabilities of Seller to any of its employees or under any employee benefit plans for periods prior to the Closing Date, except as specifically contemplated by Sections 2.3 and 9.1 above;

(b) all Liabilities relating to or arising out of the ownership or operation of an Excluded Asset;

(c) all Warranty Obligations and all other obligations to any Person relating to the quality, merchantability or safety of, or involving a claim of breach of warranty, or defect in, any product or service purchased, manufactured, sold, or performed by Seller;

(d) all of the Liabilities of the Seller relating to or arising out of any real property owned or operated or leased, in whole or in part, directly or indirectly (via an interest in any partnership, joint venture, corporation or other entity), at any time by the Seller or any of its Affiliates or predecessor entities;

(e) all Liabilities with respect to the Worker Adjustment and Retraining Notification Act (the "WARN Act") or any similar federal or state law with respect to any Employee;

(f) Liability for any Income Taxes due or payable by Seller for any Tax period (or portion thereof) prior to the Closing Date or arising out of the ownership or operation of the Business or the Purchased Assets on or before the Closing Date; and

(g) all Liabilities relating to amounts required to be paid by Seller hereunder.

2.7 Further Conveyances and Assumptions. From time to time following the Closing, Seller and Purchaser shall, and shall cause their respective Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and other instruments, and shall take such further actions, as may be reasonably necessary or appropriate to assure fully to Purchaser and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to Purchaser under this Agreement and to assure fully to Seller and its Affiliates and their successors and assigns, the assumption of Assumed Liabilities, and to otherwise make effective the Transactions.

ARTICLE III

CONSIDERATION; ADJUSTMENT

3.1 Payment of Purchase Price.

(a) Subject to Section 3.2, the aggregate consideration for the Purchased Assets (the "Purchase Price") shall be equal to the following, as calculated on the Closing Date:

(i) obligations in the amount of \$8.0 million outstanding under the Purchased Loan Agreement as of the Petition Date including the outstanding principal balance of the Notes, plus the amount of any accrued and unpaid interest payable through the Auction Date (the "Credit Bid Amount"); plus

(ii) cash in the amount of \$650,000. For the avoidance of doubt, of the \$650,000.00, \$250,000 is designated for distribution to general unsecured creditors (excluding,

administrative and priority creditors) and the remaining balance shall be used to fund the administration of the estate while in chapter 11. To the extent the cost of administration of the estate in chapter 11 is less than \$400,000, the remaining balance shall revert back to Purchaser; plus

(iii) the assumption of the Assumed Liabilities (including the DIP Agreement).

(b) Subject to the satisfaction of the conditions set forth in Sections 10.1 and 10.2 (or the waiver thereof by the party entitled to waive that condition), on the Closing Date, Purchaser shall deliver the Purchase Price in Purchaser's sole discretion and subject to Section 3.2, as follows:

(i) with respect to the Credit Bid Amount by, (x) paying cash, (y) delivering the Notes marked cancelled and fully executed releases and waivers by the Note Holder of the aggregate amount of the Credit Bid Amount, or (z) assuming the Seller's obligations with respect to the Credit Bid Amount on terms reasonably acceptable to the Note Holder; and

(ii) with respect to cash, by wire transfer of immediately available U.S. funds to the account or accounts identified by Sellers prior to the Closing Date.

(c) Within 60 calendar days after the Closing Date, Purchaser and Seller shall use their reasonable best efforts to reach an agreement as to the fair market value of the Purchased Assets (the "Tax Purchase Price"). To the extent the Tax Purchase Price is less than the face amount of the Credit Bid Amount plus the cash paid pursuant to Section 3.1(a)(ii) and the amount of Assumed Liabilities, the difference shall constitute cancellation of debt income to Seller. During such 60 day period, the Purchaser and Seller shall also use their reasonable best efforts to agree on how the Tax Purchase Price shall be allocated among the Purchased Assets for federal income tax purposes. In the event Seller and Purchaser are not able to reach an agreement, the Tax Purchase Price and allocation shall be determined by an independent accountant to be designated jointly by the Purchaser and Seller. Upon having reached such agreement, Purchaser and Seller shall file all tax returns and statements, forms and schedules in connection therewith consistent with such allocation and shall take no position contrary thereto unless required by law. Purchaser and Seller shall treat the purchase and sale of the Purchased Assets for the Tax Purchase Price as an "applicable asset acquisition" within the meaning of Section 1060 of the Code, and shall prepare and timely file Internal Revenue Service Form 8594 (and any required exhibits thereto) in a manner consistent with the allocation of the Purchase Price under this Section 3.1(c).

3.2 Prorations and Adjustments. All ad valorem taxes for 2009 on any of the Purchased Assets will be prorated as of the Closing Date based on best estimates arising from billings for previous years (unless actual bills for the 2009 tax year exist). Prior to Closing, Purchaser shall have the right to confirm Seller's pro rata share of the estimated obligations, and, upon such confirmation, Purchaser shall bear the responsibility of paying a pro rata portion of the actual tax 2009 bills, Purchaser's obligation being limited to taxes owed and related to the Purchased Assets for taxes accruing after the Closing.

ARTICLE IV

CLOSING AND TERMINATION

4.1 Closing Date. Subject to the satisfaction of the conditions set forth in Sections 10.1 and 10.2 (or the waiver thereof by the party entitled to waive that condition), the closing of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities provided for in Article II hereof (the "Closing") shall take place at the offices of Purchaser's counsel (Drinker Biddle & Reath LLP, located at 18th & Cherry Streets, Philadelphia, PA 19103) (or at such other place as the parties may designate in writing) at 10:00 a.m. (Eastern time) on a date within eleven days following approval by the Court, but no later than April 17, 2009 or at such earlier time as may be agreed to by the Purchaser and Seller in their sole discretion (the "Closing Date"). With respect to such Closing Date, time is of the essence against the bidder and to the benefit of the Purchaser and Seller.

4.2 Deliveries by Seller. At the Closing, Seller shall deliver to Purchaser:

(a) one or more duly executed bills of sale in a form to be agreed upon by the parties hereto;

(b) one or more duly executed assignment and assumption agreements in a form to be agreed upon by the parties hereto, if applicable, and duly executed assignments of all Assumed Intellectual Property, in a form suitable for recording in the U.S. patents and trademarks office, and general assignments of all other Assumed Intellectual Property;

(c) a certified copy of the Sale Order; and

(d) all other instruments of conveyance and transfer, in form and substance reasonably acceptable to Purchaser, as may be necessary to convey the Purchased Assets to Purchaser.

4.3 Deliveries by Purchaser. At the Closing, Purchaser shall deliver:

(a) the proof of release of the Notes in accordance with Section 3.1;

(b) one or more duly executed assignment and assumption agreements in a form to be agreed upon by the parties hereto, if applicable;

(c) Resolutions of Purchaser, and an Incumbency Certificate certified by an appropriate officer, authorizing the execution, delivery and performance of this Agreement and the other agreements to be delivered by Purchaser in connection with the Closing hereunder; and

(d) such other documents, instruments and certificates as Seller may reasonably request.

4.4 Termination of Agreement. This Agreement may be terminated prior to the Closing as follows:

(a) by Purchaser, if (i) the Bankruptcy Case is not filed by Seller by the close of business on the day that is three business days after the Effective Date or (ii) the schedules and exhibits attached hereto are not finally completed to the reasonable satisfaction of the Purchaser by the Closing;

(b) by either Seller or Purchaser, upon written notice to the other party, if the Closing shall not have occurred by the close of business on April 17, 2009 (the "Termination Date"); provided, that the failure of the Closing to occur on or before such date is not the result of a breach of any covenant, agreement, representation or warranty hereunder by the party seeking such termination;

(c) by mutual written consent of Seller and Purchaser;

(d) by either Purchaser or Seller if the Bankruptcy Court or any other Governmental Body shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their reasonable efforts to lift), which permanently restrains, enjoins or otherwise prohibits the consummation of the Transactions and such order, decree, ruling or other action shall have become final and non-appealable;

(e) automatically, upon the earlier to occur of (i) the consummation of an Alternate Transaction and (ii) no transaction being consummated within 15 days after the entry of a sale order with respect to an Alternate Transaction;

(f) by Purchaser, if a chapter 11 trustee is appointed in the Bankruptcy Case;

(g) by Purchaser if the Auction Date is not on or before April 8, 2009;

(h) by Purchaser, if the Sale Order with respect to the Transactions has not been entered by April 13, 2009;

(i) by Purchaser, if the Sale Order with respect to the Transactions has been entered and (ii) Purchaser has provided Seller with written notice that it is prepared to consummate the Transactions and the Closing Date does not occur within two business days of Purchaser providing the Seller with such notice;

(j) by Purchaser, upon written notice to Seller setting forth the reasons for termination with particularity, if there shall be a breach by Seller of any representation or warranty, or any covenant or agreement contained in this Agreement and such breach cannot be or has not been cured by Seller within fifteen days after receipt of notice delivered in accordance with Section 12.7; or

(k) by Seller, upon written notice to Purchaser setting forth the reasons for termination with particularity, if there shall be a material breach by Purchaser of any representation or warranty, or any covenant or agreement contained in this Agreement and such breach cannot be or has not been cured by Purchaser within fifteen days after receipt of notice delivered in accordance with Section 12.7.

4.5 Procedure Upon Termination. In the event of termination pursuant to Section 4.4, written notice thereof shall forthwith be given to the other party or parties, and this Agreement shall terminate, and the purchase of the Purchased Assets hereunder shall be abandoned, without further action by Purchaser or Seller. If this Agreement is terminated as provided herein, each party shall redeliver all documents, work papers and other material of any other party relating to the Transactions, whether so obtained before or after the execution hereof, to the party furnishing the same.

4.6 Effect of Termination. In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of its duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Purchaser or Seller for fraud or willful breach of any provision of this Agreement prior to such termination; provided, however, that the obligations of the Procedures Order and the provisions of Article XII hereof, shall survive any such termination and shall be enforceable hereunder.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to termination as provided in Section 12.1, and except as specifically set forth in the schedules hereto, Seller hereby represents and warrants to Purchaser that:

5.1 Organization and Good Standing. Seller is an entity duly organized, validly existing and in good standing under the laws of the State of Delaware and, subject to the limitations imposed on Seller as a result of having filed a petition for relief under the Bankruptcy Code, has the requisite power and authority to own, lease and operate its properties and to carry on its business as now conducted.

5.2 Authorization of Agreement. Subject to entry of the Sale Order, Seller has the requisite power and authority to execute and deliver this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party and to perform its respective obligations hereunder and thereunder. The execution and delivery of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party and the consummation of the Transactions and thereby have been duly authorized by all requisite action on the part of Seller. This Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party has been duly and validly executed and delivered by Seller and (assuming the due authorization, execution and delivery by the other parties hereto, and the entry of the Sale Order) this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Seller is a party constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

5.3 Conflicts; Consents of Third Parties.

(a) The execution, delivery and performance of this Agreement and the transaction documents executed in connection herewith do not and will not (with or without the passage of time or the giving of notice) conflict with, or result in any violation of or default under, or give rise to a right of termination or cancellation under any provision of: (i) the certificate of incorporation and bylaws of Seller, or any Laws binding upon Seller; (ii) subject to entry of the Sale Order, any Contract, Lease or Permit to which the Seller is a party or by which any of the properties or assets of the Seller are bound, (iii) subject to entry of the Sale Order, any Order of any Governmental Body applicable to the Seller or any of the properties or assets of the Seller as of the date hereof; or (iv) subject to entry of the Sale Order, any applicable Law, other than, in the case of clauses (i), (ii), (iii) and (iv), such conflicts, violations, defaults, terminations or cancellations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Change.

(b) If the Sale Order is entered, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Body is required on the part of the Seller in connection with the execution and delivery of this Agreement or any other agreement, document, or instrument contemplated hereby or thereby to which it is a party, the compliance by Seller with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, the assignment or conveyance of the Purchased Assets, or the taking by Seller of any other action contemplated hereby or thereby, except for (i) the entry of the Sale Order, (ii) such other consents, waivers, approvals, Orders, Permits, authorizations, declarations, filings and notifications, the failure of which to obtain or make would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Change and (iii) those Permits listed on Schedule 5.3 hereof.

5.4 Title to Purchased Assets. To Seller's Knowledge, Seller owns the Purchased Assets and, subject to the entry of the Sale Order, Purchaser will be vested with title to such Purchased Assets, free and clear of all Liens, to the fullest extent permissible under Section 363 of the Bankruptcy Code.

5.5 Compliance with Laws; Permits. To Seller's Knowledge, Seller (i) is in compliance with all Laws applicable to its respective operations or assets or the Business, except where the failure to be in compliance would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Change and (ii) has all Permits that are required for the operation of the Business as presently conducted, except where the absence of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Change.

5.6 Litigation. Other than the filing of the Seller's Bankruptcy Case, and as listed on Schedule 5.6, there are no material claims, actions, suits, proceedings (arbitration or otherwise) or investigations involving or affecting Seller or its business or assets, or by any court or governmental agency or instrumentality, or before an arbitrator of any kind; and no pending claim, action, suit, proceeding or investigation, if determined adversely, would either individually or in the aggregate have a Material Adverse Change. To the Knowledge of Seller, no such claim, action, suit, proceeding or investigation is presently threatened or contemplated and there are no facts which could reasonably serve as a basis for any such claim, action, suit,

proceeding or investigation. There are no unsatisfied judgments, penalties or awards against or affecting Seller or any of its businesses, properties or assets. All claims made during the last two years under Seller's general liability insurance or worker's compensation policies have been disclosed to Purchaser.

5.7 Financial Statements. The financial statements of Seller provided to Purchaser accurately and fairly reflect its business and the results of its operations, and such financial statements and notes accurately and fairly present the financial condition, cash flow and results of operations of Seller as at the respective dates thereof and for the periods therein referred to, all in accordance with GAAP, except for footnotes and, with respect to interim financial statements, subject to normal year-end adjustments. The most recent balance sheet provided to Purchaser (the "Balance Sheet") reflects all liabilities of Seller, whether absolute, accrued or contingent, as of the respective dates thereof of the type required to be reflected or disclosed in a balance sheet (or the notes thereto) prepared in accordance with GAAP. As of the date of this Agreement, Seller has no liabilities or obligations of any nature, absolute, accrued or contingent, matured or unmatured, known or unknown, that are not reflected on the Balance Sheet, other than current liabilities incurred since the date thereof in the Ordinary Course of Business and which are neither material in amount nor inconsistent with any of the representations and warranties contained herein.

5.8 Accounts Receivable. All accounts and notes receivable of Seller represent valid obligations from sales made or services rendered in the ordinary course of business, and in the aggregate have been or will be collected in full in the ordinary course of business, and, to the Knowledge of Seller, without any set-off or discount. The accounts receivable aging provided to Purchaser by Seller dated February 1, 2009 represents a correct and complete accounts and notes receivable aging of Seller as of February 1, 2009 reflecting the aggregate dollar amount of all accounts and notes receivable due Seller that are outstanding.

5.9 Inventory. All the inventory of Seller with respect to the Business is valued on Seller's books and records at the lower of cost or fair market value thereof, based upon the "first in, first out" method of accounting, and is in good condition and consists of a quality and quantity useable and saleable in the ordinary course of business consistent with past practice, except for obsolete items and items of below standard quality, all of which have been written off or written down to net realizable value in the Balance Sheet. All Inventory not written off has been valued in accordance with GAAP and, with respect to Inventory intended for sale, was or will be saleable within a reasonable time at prices at least equal to the value thereof on the books of Seller. All Inventory has been replenished in the Ordinary Course of Business. Inventory as of the Closing Date that was acquired subsequent to the date of the Balance Sheet was acquired in the Ordinary Course of Business at a cost not exceeding market prices prevailing at the time of purchase. The quantities of each item of Inventory are not excessive, but are reasonable in the present circumstances of Seller. A true and complete listing of all Inventory of Seller has been provided to Purchaser.

5.10 Assumed Intellectual Property.

(a) Seller is the sole owner or has the exclusive, perpetual right to use, without consideration, all Assumed Intellectual Property included free and clear of any Liens

other than Liens that are being terminated on the Closing Date; Seller has not granted or licensed to any Person any rights with respect to any Assumed Intellectual Property owned by or licensed to Seller and, to Seller's Knowledge, no other Person has any rights in or to any of the Assumed Intellectual Property (including, without limitation, any rights to market or distribute any of the Assumed Intellectual Property); the rights of Seller in and to any of the Assumed Intellectual Property will not be limited or otherwise affected by reason of any of the transactions contemplated hereby; and, to Seller's Knowledge, the Assumed Intellectual Property is sufficient for the conduct of the business of Seller as such has been conducted during the last two years and as it is presently conducted.

(b) With respect to the Assumed Intellectual Property, Seller is not obligated, contingently or otherwise, to: (i) develop, update, distribute or service any software; or (ii) pay royalties or license or similar fees to any Person with respect to any software now used or distributed by Seller or that is proposed to be used or distributed by Seller, other than "shrink wrap" licenses or other licenses for "off-the-shelf" software.

(c) All employees of Seller involved with the development, implementation, use or marketing of any Assumed Intellectual Property have entered into written agreements assigning to Seller all rights to Assumed Intellectual Property created during the employment of such employee, including the obligation to so assign the Assumed Intellectual Property created during such employment for which protection is sought after termination of such employment.

(d) All registered trademarks, service marks, and copyrights and all patents and patent applications included in the Assumed Intellectual Property are in compliance with all applicable legal requirements (including payment of filing, examination, and maintenance fees and proofs of working or use where and when applicable), are valid and enforceable and are not subject to any maintenance fees or taxes or actions due within 60 days after the Closing Date.

(e) To Seller's Knowledge, no Assumed Intellectual Property has been infringed, challenged or involved in any interference, reissue, re-examination, opposition, invalidation or cancellation proceeding and, to Seller's Knowledge, no such proceeding is threatened. To the best of Seller's Knowledge, none of the products manufactured or sold by Seller, nor any processes used by Seller, infringe or are alleged to infringe any trademark, copyright, patent or other proprietary right of any Person. Seller has taken reasonable precautions to preserve and document its trade secrets and to protect the secrecy, confidentiality and value of its trade secrets.

5.11 Products Liability. Neither Seller nor any other Person has agreed to become or otherwise be responsible for consequential damages or made any express warranties to third parties with respect to any products created, manufactured, sold, distributed or licensed, or any services rendered, by Seller except for the Warranty Obligations. To the Seller's Knowledge, there have been no incidents of product tampering or threatened incidents of product tampering involving the Business.

5.12 Pending Actions. There are no judicial, administrative or other governmental actions, proceedings or investigations pending or, to the Knowledge of Seller, threatened, that question any of the transactions contemplated by, or the validity of, this Agreement or any of the

other agreements or instruments contemplated hereby or which, if adversely determined, would have an adverse effect upon the ability of Seller to enter into or perform its obligations under this Agreement or any such other agreements or instruments. Seller has not received any request from any governmental agency or instrumentality for information with respect to the transactions contemplated hereby.

5.13 Taxes.

(a) All federal, state, local and foreign returns and reports relating to Taxes, or extensions relating thereto, required to be filed on or before the Closing by or with respect to Seller have been timely and properly filed, and all such returns and reports are correct and complete.

(b) All Taxes due or properly shown to be due on any return filed by Seller with respect to taxable periods ending on or prior to, and the portion of any interim period up to, the date hereof have been fully and timely paid or, in the case of Taxes not yet due, fully provided for on the Balance Sheets or, in the case of Taxes accruing after the date of such financial statement, on the books of account of Seller; and there are no levies, liens, or other encumbrances relating to Taxes existing, threatened or pending with respect to any asset of Seller.

(c) No issues have been raised with any representative or employee of Seller (and are currently pending) by the Internal Revenue Service ("IRS") or any other taxing authority in connection with any of the returns and reports referred to in subsection (a) above and no waivers of statutes of limitations have been given or requested with respect to any such returns and reports or with respect to any Taxes.

5.14 Collective Bargaining Agreements. Seller is not bound by any collective bargaining agreement or any other agreement or legally binding arrangement to maintain with respect to any Employee.

5.15 Environmental Matters.

(a) To the Seller's Knowledge, there are no conditions on, about, beneath or arising from any real property that is now used or leased to or by Seller that might, now or any time in the future under any Environmental Law, (i) give rise to liability, a restriction or the imposition of a statutory lien, or (ii) that would or may require any "Response," "Removal" or "Remedial Action" (as those terms are defined below) or any other action, including without limitation, investigation reporting, monitoring, cleanup or contribution.

(b) Seller has not received any notification, or is otherwise aware of, a release or threat of a release of any "Hazardous Substance" with respect to any property or location that relates, directly or indirectly, to any business or operations of Seller.

(c) Other than as listed on Schedule 5.15, Seller has not received notice nor does Seller have actual or constructive knowledge of (i) any claim, demand, investigation, enforcement action, Response, Removal, Remedial Action, statutory lien or other governmental or regulatory action instituted or threatened against Seller, or related to the businesses or

operations of Seller, pursuant to any of the Environmental Laws, (ii) any claim, demand, notice, suit or action, made or threatened by any Person against Seller, or arising from the operations of Seller for any form of damage, loss or injury resulting from, or claimed to result from, any Hazardous Substance, or any other material, on, about, beneath or arising from the current or former real property occupied by Seller or any alleged violation of the Environmental Laws by Seller; or (iii) any communication to or from any governmental or regulatory agency arising out of or in connection with Hazardous Substances on, about, beneath, arising from or generated at the current real property or former real property occupied by Seller, including without limitation, any notice of violation, citation, complaint, order, directive, request for information or response thereto, notice letter, demand letter or compliance schedule.

(d) No wastes generated by Seller have ever been directly or indirectly sent, transferred, transported to, treated, stored, or disposed of at any site listed or formally proposed for listing on the National Priority List promulgated pursuant to "CERCLA" or to any site listed on any state list of sites requiring or recommended for investigation or clean-up or to any site that to the Knowledge of Seller has been the subject of, or been investigated for, Response, Removal or Remedial Action under any Environmental Law. None of the real property leased by the Seller is listed on the National Priorities List or any state list of sites requiring or recommended for investigation or clean up.

(e) As used in this Agreement:

(i) the term "Environmental Laws" means all Laws as such are created or amended from time to time concerning or relating to industrial hygiene or pollution or protection of human health or safety or the environment, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq. ("CERCLA"), The Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 et seq., the Air Pollution Prevention and Control Act, 42 U.S.C. §§ 7041 et seq. and the Federal Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.

(ii) the terms "Response," "Removal" and "Remedial Action" shall have the meanings ascribed to them in Sections 101(23)-101(25) of the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("SARA"), 42 U.S.C. §§ 9601(23)-9601(25).

(iii) the term "Hazardous Substances" or "Hazardous Substance," means any toxic or hazardous gaseous, liquid or solid material or waste that may or could pose a hazard to the environment or human health or safety including (i) any "hazardous substances" as defined by the federal Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq., (ii) any "extremely hazardous substance," "hazardous chemical," or "toxic chemical" as those terms are defined by the federal Emergency Planning and Community Right-to-Know Act, 42 U.S.C. §§ 1101 et seq., (iii) any "hazardous waste," as defined under the federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., (iv) any "pollutant," as defined under the federal Water Pollution Control Act, 33 U.S.C. §§ 1251 et seq., as any of such laws in clauses (i) through (iv) are amended, and (v) any regulated substance or waste under any Laws or Court

Orders that have been enacted, promulgated or issued by any federal, state, local or foreign governmental authorities concerning protection of the environment.

5.16 No Other Representations or Warranties; Schedules. Except for the representations and warranties contained in this Article V (as modified by the Schedules hereto), neither Seller nor any other Person makes any other express or implied representation or warranty with respect to Seller, the Business, the Purchased Assets, the Assumed Liabilities or the Transactions, and Seller disclaims any other representations or warranties, whether made by Seller, any Affiliate of Seller, or any of Seller's or its Affiliates' respective officers, directors, employees, agents or representatives. Except for the representations and warranties contained in Article V hereof (as modified by the Schedules hereto), Seller (i) expressly disclaim and negate any representation or warranty, expressed or implied, at common law, by statute, or otherwise, relating to the condition of the Purchased Assets (including any implied or expressed warranty of merchantability or fitness for a particular purpose, or of conformity to models or samples of materials) and (ii) disclaim all liability and responsibility for any representation, warranty, projection, forecast, statement, or information made, communicated, or furnished (orally or in writing) to Purchaser or its Affiliates or representatives (including any opinion, information, projection, or advice that may have been or may be provided to Purchaser by any director, officer, employee, agent, consultant, or representative of Seller or any of its Affiliates). Seller makes no representations or warranties to Purchaser regarding the probable success or profitability of the Business. The disclosure of any matter or item in any schedule hereto shall not be deemed to constitute an acknowledgment that any such matter is required to be disclosed or is material or that such matter would result in a Material Adverse Change.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller that:

6.1 Organization and Good Standing. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite power and authority to own, lease and operate its properties and to carry on its business as now conducted.

6.2 Authorization of Agreement. Purchaser has the requisite power and authority to execute and deliver this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party and the consummation of the Transactions and thereby have been duly authorized by all requisite limited liability company action on the part of Purchaser. This Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party has been duly and validly executed and delivered by Purchaser and (assuming the due authorization, execution and delivery by the other parties hereto) this Agreement and each other agreement, document or instrument contemplated hereby or thereby to which Purchaser is a party constitutes

legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

6.3 Governmental Authorization; Third Party Consents. No approval, consent, compliance, exemption, authorization or other action by, or notice to, or filing with, any Governmental Entity or any other Person, and no lapse of a waiting period under any Law, is necessary or required in connection with the execution, delivery or performance by, or enforcement against, Purchaser of this Agreement and each of the any other ancillary agreements (including, but not limited to the bill of sale, assumption agreements, and all exhibits and appendices thereto) to which it is a party or the Transactions and thereby.

6.4 Litigation. There are no Legal Proceedings pending or, to Purchaser's knowledge, threatened, against Purchaser, or to which Purchaser is otherwise a party before any Governmental Body, which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Purchaser Adverse Effect. Purchaser is not subject to any Order of any Governmental Body except to the extent the same would not reasonably be expected to have, individually or in the aggregate, a Purchaser Adverse Effect.

6.5 Brokers. No Person has acted, directly or indirectly, as a broker, finder or financial advisor for Purchaser in connection with the Transactions and no Person is entitled to any fee or commission or like payment in respect thereof.

6.6 Condition of the Business. Notwithstanding anything contained in this Agreement to the contrary, Purchaser acknowledges and agrees that Seller is not making any representations or warranties whatsoever, express or implied, beyond those expressly given by Seller in Article V hereof (as modified by the Schedules hereto), and Purchaser acknowledges and agrees that, except for the representations and warranties contained therein, the Purchased Assets and the Business are being transferred on a "where is" and, as to condition, "as is" basis. Purchaser acknowledges that it has conducted to its satisfaction its own independent investigation of the Business and, in making the determination to proceed with the Transactions, Purchaser has relied on the results of its own independent investigation.

ARTICLE VII

BANKRUPTCY MATTERS

7.1 Bankruptcy Court Filings.

(a) This Agreement is subject to approval by the Bankruptcy Court. Seller shall pursue diligently the entry of the Sale Order by filing a motion with the Bankruptcy Court (the "Sale Motion") and shall defend the Sale Order as to any appeal of or collateral attack on the Sale Order after its entry. In that regard, to the extent commercially reasonable, Seller shall

promptly respond to objections to the entry of the Sale Order, conduct discovery proceedings, schedule and attend hearings and oppose any actions taken by the parties objecting to, appealing, or seeking a stay of the consummation of the sale of the Purchased Assets provided by this Agreement. Seller shall provide in the Sale Motion that all responses or objections shall be served on, among others, counsel to Purchaser. Purchaser may file a notice of appearance in the Bankruptcy Cases and Seller acknowledges and agrees that Purchaser shall have standing to appear in connection with all proceedings regarding the sale of the Purchased Assets in the Bankruptcy Case. Seller shall use commercially reasonable efforts to take all actions, including without limitation, the defense of motions and actions filed by third parties required in the Bankruptcy Case reasonably required to retain possession and ownership of the Purchased Assets pending Closing. Purchaser agrees that it will promptly take such actions as are reasonably requested by Seller to assist in obtaining entry of the Sale Order and a finding of adequate assurance of future performance by Purchaser.

(b) Seller shall provide Purchaser with copies of any and all motions, applications, pleadings, schedules, statements, reports and other papers (including exhibits and supporting documentation) filed by or on behalf of Seller related to the Purchased Assets or this Agreement. Seller shall consult and cooperate with Purchaser, and consider in good faith the views of Purchaser with respect to all such filings. Notwithstanding any provision to the contrary herein, Seller shall not seek or agree to amend, vacate or modify any provision of the Sale Order without the prior written consent of Purchaser, except to the extent that Seller determine cause exists under Rule 60(b)(3) of the Federal Rules of Civil Procedure.

(c) Notice of the hearing on the Sale Motion, and request for entry of the Sale Order and the objection deadline shall be served by Seller in accordance with Bankruptcy Rules 2002, 6004, 6006 and 9014 and any applicable local rules of the Bankruptcy Court on all Persons required to receive notice under such rules, including, but not limited to, all Persons which have asserted liens, encumbrances or other interests in the Purchased Assets, all non-debtor parties to the Assumed Contracts, counsel to the official committee of unsecured creditors, appointed in the Bankruptcy Case (if appropriate), the Office of the United States Trustee, and each of Seller's creditors.

7.2 Bidding Procedures Order.

(a) The Seller agrees promptly following, but no later than three business days after the Effective Date, (i) file the Bankruptcy Case, (ii) file a motion seeking an order of the Bankruptcy Court for authority to observe and perform its obligations under this Section 7.2 (the "Bidding Procedures Order"), and (iii) seek a hearing on the Bid Procedures to be scheduled as promptly as possible, but in no event shall the Bid Procedures Order be entered later than February 27, 2009. The Bidding Procedures Order shall, among other things, (1) authorize the Purchaser to credit bid to the fullest extent permitted by Section 363(k) of the Bankruptcy Code, (2) establish a Bid Deadline of April 6, 2009 (the "Bid Deadline"), (3) approve the Bidding Procedures for the solicitation of higher and otherwise better bids that, among other things, sets a date (the "Auction Date") of April 8, 2009 for an auction at which only Qualified Bidders (as defined below) who have previously submitted a Qualified Bid may bid, (4) set the Initial Incremental Bid Amount (as defined below) for any Qualified Bid, and (5) establish the date no more than five (5) days after the Auction Date for the hearing on the

proposed sale of the Purchased Assets to the Purchaser or to such Qualified Bidder submitting the highest or otherwise best bid at the Auction (the "Sale Hearing"). The Seller shall represent to the Bankruptcy Court that Seller actively solicited this "stalking horse" bid from the Purchaser. The Purchaser reserves the right to make multiple credit bids of any or all of the amount outstanding under the Loan Purchase Agreement to the fullest extent permitted under Section 363(k) of the Bankruptcy Code. The Bidding Procedures Order shall be in form and substance reasonably acceptable to Purchaser and its counsel and Seller hereby agrees not to change or modify any of the dates or procedures set forth in the Bidding Procedures Order, including, without limitation, the dates of the Sale Hearing and Closing Date, without prior written consent of Purchaser.

(b) For the purposes of this section:

(i) The "Initial Incremental Bid Amount" shall mean the sum of \$50,000.

(ii) A "Qualified Bidder" is a person who (a) has delivered to the Seller an executed confidentiality agreement in form and substance acceptable to the Seller, (b) who has delivered to the Seller a bid that identifies the assets of the Seller to be acquired by the bidder and the consideration to be paid for such assets that constitutes an Alternate Transaction, and (c) whom the Seller in good faith determines is reasonably likely to be able to consummate a transaction based on the Alternate Transaction, if selected as the successful bidder. The Purchaser shall be deemed a Qualified Bidder.

(iii) A "Qualified Bid" is an Alternate Transaction (a) the value of which is greater or otherwise better than the sum of (i) the value of Purchaser's offer as set forth in this Agreement and (ii) the Initial Incremental Bid Amount, (b) that is accompanied by an executed copy of an alternative purchase agreement that reflects any substantive changes to this Agreement and includes a commitment to close by the Termination Date and satisfactory evidence of committed financing or other ability to perform and (c) that is accompanied by a cash deposit in the amount of ten percent (10%) of the purchase price offered in the proposal for the Alternate Transaction, which deposit shall be forfeited as liquidated damages for breach by the purchaser thereunder.

7.3 Submission to Bankruptcy Court. Within three days following the Effective Date, Seller shall file with the Bankruptcy Court this Agreement and such notices as may be appropriate in connection therewith. Purchaser shall cooperate with Seller in obtaining Bankruptcy Court approval of the Bidding Procedures Order and the Sale Order.

7.4 [Deleted].

7.5 Sale Order. Subject to any Alternate Transactions, Purchaser agrees that it will promptly take such actions as are reasonably requested by Seller to assist in obtaining entry of the Sale Order and a finding of adequate assurance of future performance by the Purchaser, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for the purposes of, among other things, providing necessary assurances of future performance by the Purchaser under this Agreement and demonstrating that Purchaser is a "good faith" purchaser under Section 363(m) of the Bankruptcy Code and that the Purchase Price was not controlled by an agreement in violation of Section 363(n) of the Bankruptcy Code. In the event the entry of the Sale Order shall be appealed, Seller and Purchaser shall use their respective reasonable efforts to defend such appeal.

ARTICLE VIII

COVENANTS

8.1 Access to Information. Seller agrees that, prior to the Closing Date, Purchaser shall be entitled, through its officers, employees, consultants and representatives (including, without limitation, any proposed lending source to Purchaser and Purchaser's legal advisors and accountants), to make such investigation of the properties, businesses and operations of Seller and the Business and such examination of the books and records of Seller and the Business, the Purchased Assets and the Assumed Liabilities as it reasonably requests and to make extracts and copies of such books and records. Any such investigation and examination shall be conducted upon reasonable advance notice and under reasonable circumstances and shall be subject to restrictions under applicable Law. Seller shall cause its officers, employees, consultants, agents, accountants, attorneys and other representatives to cooperate with Purchaser and Purchaser's representatives in connection with such investigation and examination, and Purchaser and its representatives shall cooperate with Seller and its representatives and shall use their reasonable efforts to minimize any disruption to the Business. Notwithstanding anything herein to the contrary, no such investigation or examination shall be permitted to the extent that it would require Seller to disclose information subject to attorney-client privilege.

8.2 Conduct of the Business Pending the Closing.

(a) Subject to any obligations as a debtor or debtor in possession under the Bankruptcy Code, or order of the Bankruptcy Court or other court of competent jurisdiction, unless otherwise agreed by Purchaser in writing, during the period from the date of this Agreement to and through the Closing Date, Seller shall:

- (i) conduct the Business only in the Ordinary Course of Business; and
- (ii) use its best efforts to (A) preserve the present business operations, organization and goodwill of the Business, and (B) preserve the present relationships with customers and suppliers of the Business.

(b) Unless otherwise agreed by Purchaser in writing, during the period from the date of this Agreement to and through the Closing Date, Seller shall not:

- (i) sell or otherwise dispose of any Purchased Assets, except in the Ordinary Course of Business (and, in any event, not in a material amount);
- (ii) subject any of the Purchased Assets to any Lien, except for existing Liens;
- (iii) other than in the Ordinary Course of Business, sell, assign, license, transfer, convey, lease or otherwise dispose of any of the Purchased Assets (except pursuant to an existing Contract for fair consideration or for the purpose of disposing of obsolete or worthless assets and, in any event, not in a material amount);

(iv) modify or terminate, or agree to modify or terminate any Purchased Contract; or

(v) take any action not in compliance with any covenant or other agreements set forth in the DIP Agreement.

In the event the Seller takes any actions identified in Sections 7.3(b)(1), or (b)(3) above, Purchaser shall be entitled to a dollar-for-dollar adjustment to the Purchase Price for any Purchased Assets sold, leased, conveyed or otherwise disposed of by Seller.

8.3 Accounts Receivable. Payments received by Seller in respect of any Accounts Receivable after the Closing Date shall be forwarded to Purchaser within five Business Days, and until so forwarded, shall be held in trust for the benefit of Purchaser. Nothing in this Section 8.3 shall be deemed to limit in any way Purchaser's rights and remedies to recover Accounts Receivable due and owing to it under the terms of this Agreement. Until the first anniversary of the Closing Date, Purchaser shall, upon reasonable notice and during normal business hours and at reasonable intervals, have the right to inspect all cash receipts and books and records of the Seller to confirm its compliance with the obligations imposed on it under this Section 8.3.

8.4 Further Assurances. Subject to the other provisions of this Agreement, each of Purchaser and Seller shall use its commercially reasonable efforts to (i) take all actions necessary or appropriate to consummate the Transactions and (ii) cause the fulfillment at the earliest practicable date of all of the conditions to its respective obligations to consummate the Transactions, including, but not limited to, filing the Sale Order and obtaining entry of the Sale Order within the time periods and pursuant to the terms set forth in this Agreement.

8.5 Adequate Assurance. Purchaser will timely provide such information to Seller, as Seller believes is reasonably necessary to provide "adequate assurance," as that term is used in Section 365 of the Bankruptcy Code, with respect to Assumed Leases and Assumed Contracts.

8.6 Certain Support Covenants. From the date hereof until the three-month anniversary of the Closing Date, the Seller shall cooperate with Purchaser in any reasonable manner in connection with Purchaser's efforts to integrate the Purchased Assets into Purchaser's existing business and operations; provided, however, that such cooperation shall not include any requirement of the Seller to expend money or offer or grant any accommodation (financial or otherwise) to any third party. From the date hereof until the three month anniversary of the Closing Date, the Seller will cooperate with Purchaser, at Purchaser's sole expense, in its efforts to continue and maintain for the benefit of Purchaser those business relationships of Seller existing prior to the Closing relating to the Business, including relationships with regulatory authorities, licensors, customers, suppliers and others, and Seller will satisfy the Excluded Liabilities in a manner that, in its reasonable judgment, is not detrimental to any of such relationships. Seller will refer to Purchaser all inquiries to the extent relating to the Business.

ARTICLE IX

EMPLOYEES AND EMPLOYEE BENEFITS

9.1 Employees.

(a) Continuation of Employment. Seller shall, immediately before the Closing, terminate all Employees of Seller effective as of the close of business on the Closing Date. As of the Closing Date, effective immediately after the close of business on the Closing Date, Purchaser, in its sole discretion, may offer employment to certain of the Employees of the Seller who, immediately prior to the Closing Date were: (a) actively employed by the Seller; or (b) on approved leave of absence (including, without limitation, maternity, disability, medical and non-medical leave), which offer may be on substantially the same terms and conditions under which they are currently employed, including, without limitation, job responsibility, compensation and benefit terms and conditions. Any such offer may be on a probationary basis and Purchaser shall be under no obligation to retain such Employees beyond the probationary term if in Purchaser's sole judgment the Employees are not suitable for Purchaser's operation of the Business. Purchaser expressly acknowledges that any severance or other claims, obligations or liabilities that may arise as a result of any Employees, who on the Closing Date or for a one-month period after the Closing Date become employees of the Purchaser, shall be the sole responsibility of Purchaser and Purchaser will indemnify Seller against all loss, cost or expense (including reasonable attorneys fees) that Seller may incur by reason of the foregoing. Nothing in this Section shall create any rights in favor of any person not a party hereto, including Employees of the Business or constitute an employment agreement or condition of employment for any Employee of Seller or any Affiliates of Seller.

(b) Worker's Compensation. On the Closing Date, Purchaser shall have in effect its own insurance plans and policies with respect to worker's compensation obligations in form and amount to cover claims made by all Employees hired by Purchaser immediately following the close of business on the Closing Date ("Purchaser's New Hires") arising subsequent to the Closing Date based solely on incidents or conditions arising subsequent to the Closing Date. Purchaser shall not have any liability for any worker's compensation obligations based on incidents or conditions arising prior to the Closing Date. Seller shall not have any liability for any worker's compensation obligations based on incidents or conditions arising on or after the Closing Date.

(c) Termination of Seller's Liability. Following the Closing Date, except as set forth in Section 2.3 hereinabove, Seller shall not have any obligation or liability with respect to any plan providing benefits to employees that are terminated by Seller, but thereafter hired by the Purchaser but shall retain liability for all benefit plans provided by Seller for periods prior to Closing Date. On the Closing Date, Purchaser shall, for Purchaser's New Hires, pay all earned and unpaid vacation, sick leave and other paid time off in accordance with Seller's policies.

ARTICLE X

CONDITIONS TO CLOSING

10.1 Conditions Precedent to Obligations of Purchaser. The obligation of Purchaser to consummate the Transactions is subject to the fulfillment of each of the following conditions:

(a) the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects on and as of the Closing, except to the extent expressly made as of an earlier date, in which case as of such earlier date;

(b) Seller shall have performed and complied in all material respects with all obligations and agreements required in this Agreement to be performed or complied with by it on or before the Closing Date;

(c) there shall have been no occurrence of a Material Adverse Change;

(d) the Current Account Receivables being sold hereunder shall be in an aggregate amount of not less than \$1.25 million as of February 1, 2009;

(e) the Inventory being sold hereunder shall be in substance and composition substantially similar to the schedule previously provided to Purchaser by Seller;

(f) Seller shall have delivered, or caused to be delivered, to Purchaser all of the items set forth in Section 4.2;

(g) Seller shall have delivered, or caused to be delivered, evidence of a waiver and release by Fiberboard Corporation (the "Mezzanine Lender") of that certain mezzanine debt evidenced by the Note and Equity Purchase Agreement, dated as of November 21, 2006 between Seller and Mezzanine Lender;

(h) Seller shall have delivered, or caused to be delivered, to Purchaser a consent by the DIP Lender to the assumption of the DIP Agreement by the Purchaser;

(i) Seller shall have delivered, or caused to be delivered updated general releases dated as of the Closing Date in form and substance the same as the general release set forth in Section 12.14;

(j) Seller shall have completed to the reasonable satisfaction of the Purchaser, all of the schedules and exhibits attached hereto; and

(k) the Bankruptcy Court shall have entered the Sale Order in form and substance acceptable to Purchaser on or before April 13, 2009.

10.2 Conditions Precedent to Obligations of Seller. The obligations of Seller to consummate the Transactions are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived by Seller in whole or in part to the extent permitted by applicable Law):

(a) the representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects on and as of the Closing, except to the extent expressly made as of an earlier date, in which case as of such earlier date;

(b) Purchaser shall have delivered to Seller all of the items set forth in Section 4.3; and

(c) The Bankruptcy Court shall have entered the Sale Order, in form and substance acceptable to Seller, on or before April 13, 2009, and such Sale Order shall not be subject to any stay pending appeal.

10.3 Satisfaction or Waiver of Certain Conditions Precedent. Any condition set forth in Section 10.1 or Section 10.2 may be waived by Purchaser or Seller, as applicable, in its sole discretion; provided that no such waiver shall be effective unless it is set forth in a writing executed by Purchaser or Seller, as applicable.

10.4 Frustration of Closing Conditions. No party may rely on the failure of any condition set forth in Sections 10.1 or 10.2, as the case may be, if such failure was caused by such party's failure to comply with any provision of this Agreement.

ARTICLE XI

TAXES

11.1 Transfer Taxes; Property Taxes. Seller shall use its commercially reasonable best efforts to include in the Sale Order a provision that provides that the transfer of the Purchased Assets shall be free and clear of any stamp or similar taxes under Section 1146(c) of the Bankruptcy Code. To the extent that the Transactions are not otherwise exempt under Section 1146(c) of the Bankruptcy Code, Seller shall be liable for all sales, use and other transfer Taxes and all filing and recording fees (and any penalties and interest associated with such Taxes and fees) arising from or relating to the consummation of the Transactions (collectively, "Transfer Taxes"). Seller and Purchaser shall cooperate and consult with each other prior to filing any Tax Returns in respect of Transfer Taxes and shall cooperate and otherwise take commercially reasonable efforts to obtain any available refunds for Transfer Taxes.

11.2 Cooperation and Audits. Purchaser and Seller and their respective Affiliates shall cooperate fully with each other regarding tax matters and shall make available to the other as reasonably requested all information, records and documents relating to taxes governed by this Agreement until the expiration of the applicable statute of limitations or extension thereof or the conclusion of all audits, appeals or litigation with respect to such taxes.

ARTICLE XII

MISCELLANEOUS

12.1 Survival and Termination of Representations and Warranties. The parties hereto agree that all representations and warranties contained in this Agreement shall terminate upon Closing, and neither Seller nor Purchaser shall have any liability to the other for any alleged breach of such warranties and representations if the Closing occurs. The parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive the Closing hereunder, and each party hereto shall be liable to the other after the Closing for any breach thereof.

12.2 Expenses. Except as otherwise provided in this Agreement, Seller and Purchaser shall each bear its own expenses incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the Transactions.

12.3 Submission to Jurisdiction; Consent to Service of Process.

(a) Without limiting any party's right to appeal any order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the Transactions, and (ii) any and all proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 12.7; provided, however, that if the Bankruptcy Case has closed, the parties agree to unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court for the District of Delaware and any appellate court from any thereof, for the resolution of any such claim or dispute. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 12.7.

12.4 Waiver of Right to Trial by Jury. Each party to this Agreement waives any right to trial by jury in any action, matter or proceeding regarding this Agreement or any provision hereof.

12.5 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

12.6 Injunctive Relief. Damages at law may be an inadequate remedy for the breach of any of the covenants, promises or agreements contained in this Agreement, and, accordingly, any party hereto shall be entitled to injunctive relief with respect to any such breach, including, without limitation, specific performance of such covenants, promises or agreements or an order enjoining a party from any threatened, or from the continuation of any actual, breach of the covenants, promises or agreements contained in this Agreement. The rights set forth in this Section shall be in addition to any other rights which a party hereto may have at law or in equity pursuant to this Agreement.

12.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and performed in such State.

12.8 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (i) when delivered personally by hand, (ii) when sent by facsimile (with written confirmation of transmission) or (iii) three Business Days following the day sent by overnight courier (with written confirmation of receipt), in each case at the following addresses and facsimile numbers (or to such other address or facsimile number as a party may have specified by notice given to the other party pursuant to this provision):

If to Seller, to: Nailite International, Inc.
1111 N.W. 165th Street
Miami, FL 33169-5819
Facsimile: (305) 623-6538
Attn: Charles Jerasa

With a copy (which shall not constitute notice) to:

Potter Anderson & Corroon LLP
1313 North Market Street
P.O. Box 951
Wilmington, DE 19899-0951
Facsimile: (302) 778-6107
Attn: Steven M. Yoder, Esq.

If to Purchaser to: Premier Exteriors, LLC
3811 West Chester Pike
Building 2, Suite 200
Newtown Square, PA. 19073
Facsimile: (610) 408-0600

With a copy (which shall not constitute notice) to:

Drinker Biddle & Reath LLP
One Logan Square
18th & Cherry Streets
Philadelphia, PA 19103
Facsimile: (215) 988-2757
Attention: Walter J. Mostek, Jr., Esq.

12.9 Publicity. Each party hereto shall not, and shall cause its Affiliates not to, make any public announcement regarding this Agreement or the transactions contemplated hereby prior to the Closing Date; provided, however, that public disclosures may be made if required by Law or as may be necessary in connection with any disclosure document used by Purchaser to obtain financing for the transactions contemplated hereby or in connection with any presentations by Purchaser, any of its Affiliates or any of Purchaser's representatives to potential investors or potential lenders with respect to any financing or in connection with any announcement to its owners, investors or potential investors, or lenders or potential lenders. If any party is required by Law to issue a press release or otherwise make any such public announcement or public disclosure, the parties will consult with each other regarding the content thereof and cooperate in the making of such press release, public announcement or other public disclosure. Nothing contained in this Agreement shall prohibit Purchaser or any of its Affiliates or any of Purchaser's representatives from making any disclosures after the Closing regarding this Agreement, the transactions contemplated by the Documents or the Business except that Purchaser shall not, except as otherwise required by Law, intentionally publish the amount of the Purchase Price to the general public. Neither Seller nor any of its Affiliates shall make any disclosures after the Closing regarding this Agreement, the transactions contemplated hereby or the Business.

12.10 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 or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. 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 are consummated as originally contemplated to the greatest extent possible.

12.11 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person or entity not a party to this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by Seller (by operation of law or otherwise) without the prior written consent of Purchaser and any attempted assignment without the required consent shall be void. Purchaser may assign some or all of its rights and obligations hereunder to one or more subsidiaries or affiliates existing on the date hereof or formed by it prior to the Closing. No assignment of any obligations hereunder shall relieve it of any such obligations. Upon any such permitted

assignment, the references in this Agreement to Seller or Purchaser shall also apply to any such assignee unless the context otherwise requires.

12.12 Non-Recourse. No past, present or future director, officer, employee, incorporator, member, partner or equity holder of Seller shall have any liability for any obligations or liabilities of Seller under this Agreement or any agreement entered into in connection herewith of or for any claim based on, in respect of, or by reason of, the Transactions and thereby.

12.13 Counterparts. This Agreement may be executed in one or more counterparts and will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The parties hereto may deliver this Agreement and related documents by telecopier machine/facsimile or electronic mail, provided that the original signature pages are promptly delivered to each party to this Agreement, and each party shall be permitted to rely upon the signatures so transmitted to the same extent and effect as if they were original signatures.

12.14 General Release.

(a) Effective upon the Closing Date, the Seller, on behalf of itself, and any Person claiming by, through, under, derivatively for, as agent for or on behalf of such Seller (collectively, the "Seller Group"), acknowledges that it has no claim, counterclaim, setoff, recoupment, action or cause of action of any kind or nature whatsoever (including for the avoidance of doubt, actions for avoidance, subordination or recharacterization of any of Purchaser's pre-Petition Date Claims, interests and encumbrances and Licns in respect of Seller) against (1) any of the Purchaser or DIP Lender and each of their respective managing members or partners, (2) any of their respective directors, officers, control persons, members, employees, agents, attorneys, financial advisors, legal representatives, shareholders, partners, successors and assigns and (3) any of their respective directors, officers, control persons, members, employees or agents in their capacity as a member on, or arising from their involvement with the activities of, the Board of Directors of the Seller (including pursuant to board observer rights), (the Purchaser and all Persons referenced in clauses (1), (2), and (3) are collectively referred to as the "Purchaser Group"), that directly or indirectly arise out of, are based upon, or in any manner connected with any Prior Event (as defined below) (collectively, "Released Claims"); and, should any Released Claims nonetheless exist, the Seller on behalf its itself and all other members of the Seller Group hereby (i) releases and discharges each member of the Purchaser Group from any liability whatsoever on such Released Claims that directly or indirectly arise out of, are based upon, or are in any manner connection with a Prior Event, and (ii) releases, remises, waives and discharges all such Released Claims against any member of the Purchaser Group. As used herein, the term "Prior Event", means any transaction, event, circumstance, action, failure to act or occurrence of any sort or type, including, without limitation any approval or acceptance given or denied, whether known or unknown, which occurred, existed, was taken, permitted, or begun prior to the consummation of the Transactions contemplated hereunder. For the avoidance of doubt, "Prior Event" shall include, but not be limited to, any transaction, event, circumstance, action, failure to act or occurrence of any sort or type which occurred, existed, was taken, permitted or the begun in accordance with, pursuant to or by virtue of: (i) any terms of this Agreement, DIP Agreement or Loan Purchase Agreement (collectively, the "Credit

Documents"), (ii) the transactions referred to in the Credit Documents, (iii) the acquisition by Purchaser or any other member of the Purchaser Group of equity interests in the Seller, (iv) the membership on, and involvement with the activities or the board of directors of the Seller (including pursuant to board observer rights) or (v) any oral or written agreement relating to any of the foregoing (i) through (iv) of this sentence.

(b) Without limiting in any way the scope of the release contained in subparagraph (a) immediately above and effective upon the Closing Date, the Seller, to the fullest extent allowed under applicable law, hereby waives and relinquishes for itself and the other members of the Seller Group, all statutory and common law protections purporting to limit the scope or effect of a general release, whether due to lack of knowledge of any claim or otherwise, including, waiving and relinquishing the terms of any law, like section 1542 of the California Civil Code, which provides that a release may not apply to material unknown claims. The Seller hereby affirms its intent to waive and relinquish such unknown Claims and to waive and relinquish any statutory or common law protection available in any applicable jurisdiction with respect thereto.

12.15 No Intended Third Party Beneficiaries. No Person, including Employees of Seller, shall be deemed a third party beneficiary of this Agreement and no Person other than Seller and Purchaser shall have any right to enforce its provisions.

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

SELLER:

NAILITE INTERNATIONAL, INC.

By: _____

Charles Jones, President

PURCHASER:

PREMIER EXTERIORS, LLC

By: _____

Name: _____

Title: _____

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

SELLER:

NAILITE INTERNATIONAL, INC.

By: _____

Charles J. Jansz, President

PURCHASER:

PREMIER EXCHANGERS, LLC

By: _____

Manoj K. Singh, CEO

Title: _____

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Disclosure Schedules

to the

ASSET PURCHASE AGREEMENT

DATED FEBRUARY 27, 2009

between

NAILITE INTERNATIONAL, INC.

and

PREMIER EXTERIORS, LLC

Schedule 1.1(a) to Asset Purchase Agreement

Assumed Contracts

- Major Accounts Agreement with ADP, Inc. dated January 4, 2005
- Commercial Sales Agreement with ADT Security Services, Inc. dated January 12, 2005
- Secrecy Agreement with Americhem, Inc. & Ciba Specialty Chemicals Corporation & Nailite International dated January 18, 2005
- Proprietary Information Disclosure Agreement with Ciba Specialty Chemicals Corporation-Plastic Additives Segment and Nailite International dated October 6, 2003
- Proprietary Information Disclosure Agreement with Ciba Specialty Chemicals Corporation-Plastic Additives Segment; Heritage Plastics and Nailite International, Inc. dated February 23, 2006
- Sales Agent Agreement with Construction Component sales dated May1, 2002
- Capital Lease with De Lage Landen dated August 31, 2007
- Capital Lease with Dell Financial Services L.L.C. dated October 29, 2008
- Confidentiality & Nondisclosure Agreement with Dinesol Plastics, Inc. dated May 31, 2007
- Confidentiality Agreement with Dreamhouse dated December 24, 2008
- Sales Agent Agreement with Elite Sales & Marketing dated July 3, 2008
- Agreement with Elk Composite Building Products, Inc. dated October 16, 2006
- Sales Agent Agreement with Exterior Building Solutions dated April 16, 2007
- Confidentiality & Nondisclosure Agreement with EZ Color dated August 27, 2007
- Portfolio Pricing Agreement with FedEx signed November 18, 2008
- Capital Lease/Supply Agreement with Gadge USA dated May 4, 2006
- Capital Lease with GE Capital Commercial Equipment Financing dated June 4, 2004
- Sales Agent Agreement with Goldstar Group dated March 13, 2008
- Installation & Service with Honeywell (now Stanley Convergent Security) dated July 25, 2004
- Installation & Service with Honeywell (now Stanley Convergent Security) dated July 26, 2004
- Software Support Agreement with Identocard Systems dated January 21, 2008
- Sales Agreement with Infinite Energy (TECO Partners)
- Software License with Infor Global Solutions (Atlanta), Inc./Progressive Systems, Inc. dated August 17, 2006

- Capital Lease/Non-Recourse Promissory Note with Jetta Stroy dated October 22, 2007
- Promotions and Advertising Program 2008 with Jetta Stroy dated February 27, 2008
- Supply Agreement with Jetta Stroy dated October 22, 2007
- Maintenance Agreement with Joy Communications dated July 7, 2006
- Nondisclosure Agreement with KMRD Partners dated March 22, 2005
- Operating Lease with Kronos Incorporated signed March 5, 2002
- Confidentiality Agreement with Lehigh Technologies dated November 21, 2007
- Sales Agent Agreement with Les Bloom (Help Outsourcing) dated March 26, 2002
- Confidentiality Agreement with LRM Industries dated August 22, 2007
- Sales Agent Agreement with Midwest Sales Associates dated December 1, 2006
- Sales Agent Agreement with MPM-Midwest Pro Marketing dated February 7, 2006
- Product Certification with National Research Council/CCMC dated January 12, 2009
- Supply Agreement with Normtex dated November 5, 2007
- Software & IT Support Agreement with Parmac Solutions dated June 6, 2006
- Master Services Agreement with Peak 10, Inc. dated June 2, 2006
- Capital Lease with Pitney Bowes dated December 10, 2003
- Confidentiality & Nondisclosure Agreement with PolyOne Corporation dated May 31, 2007
- Consignment Agreement with PolyOne Corporation dated September 26, 2002
- Purchase Agreement with Quality Aluminum Products dated November 22, 2003
- Confidentiality Agreement with Red Square dated December 3, 2008
- Nondisclosure Agreement with Resource Dynamics International Ltd. dated February 21, 2008
- Supply Agreement with Riverside Paper Company dated June 17, 2008
- Service Agreement with Runzheimer Payment Solutions dated December 20, 2007
- Confidentiality & Nondisclosure Agreement with Sedgwick Claims Management dated November 11, 2008
- Confidentiality & Nondisclosure Agreement with SFC Graphics dated October 15, 2008
- Confidentiality Agreement with Sherwin-Williams Company (Chemical Coatings Division) dated March 29, 2006
- Sales Agent Agreement with STS-Sam Thiel Sales dated December 28, 2001
- Service Agreement with TelCove Investment, L.L.C. dated June 1, 2006

- Bonded Stocking and Distributing Agreement with Vancouver Warehouse dated November 15, 2002
- Capital Lease/Non-Recourse Promissory Note with Vinylux dated October 22, 2007
- Promotions and Advertising Program 2008 with Vinylux dated February 19, 2008
- Supply Agreement with Vinylux dated October 22, 2007
- Vendor Terms and Conditions Agreement with Wolf Organization dated December 16, 2005

Schedule 1.1(b) to Asset Purchase Agreement

Assumed Intellectual Property

US Patents and US Applications

US Patent No.	Last recorded Owner	Recorded Security Interests held by:
<u>0568496</u>	<u>NAILITE INTERNATIONAL</u>	
<u>4522002</u>	<u>NAILITE INTERNATIONAL INC.</u>	- MNC Commercial Corp. - National City Bank
<u>4680911</u>	<u>NAILITE INTERNATIONAL INC.</u>	- MNC Commercial Corp. - Nationsbank, N.A. - National City Bank
<u>5072562</u>	<u>NAILITE INTERNATIONAL</u>	- MNC Commercial - Nationsbank, N.A. - National City Bank
<u>5076037</u>	<u>NAILITE INTERNATIONAL</u>	- MNC Commercial - Nationsbank, N.A. - National City Bank
<u>5249402</u>	<u>NAILITE INTERNATIONAL, INC.</u>	- Nationsbank, N.A. - National City Bank
<u>5347784</u>	<u>NAILITE INTERNATIONAL</u>	- Nationsbank, N.A. - National City Bank
<u>5537792</u>	<u>NAILITE INTERNATIONAL</u>	- Nationsbank, NA - National City Bank
<u>6955019</u>	<u>NAILITE INTERNATIONAL</u>	- National City Bank
<u>7127869</u>	<u>NAILITE INTERNATIONAL</u>	- National City Bank
<u>7228665</u>	<u>NAILITE INTERNATIONAL, INC.</u>	

US Patent Application No.	US Patent Publication No.	Status	Last recorded Owner
10/930,005	<u>US20050116390</u>	Pending (appears to be abandoned)	<u>NAILITE INTERNATIONAL</u>
11/068,993	<u>US20060191228</u>	Pending	<u>NAILITE INTERNATIONAL</u>
11/588,540	<u>US20080098683</u>	Pending	<u>NAILITE INTERNATIONAL</u>
11/702,256	<u>US20080184645</u>	Pending	<u>NAILITE INTERNATIONAL</u>

Invention Disclosures

Stacked Stone Panel
Stacked Stone Corner

Foreign Patents and Foreign Patent Applications

lication No.	Application No.	Title	Listed Owner	Publication Date	Filing Date
WO2008097522	PCT/US08/0001480	ROOF AND WALL COVERING WITH IMPROVED CORNER CONSTRUCTION	NAILITE INTERNATIONAL	2008-08-14	2008-02-04
WO9629485	PCT/US96/0002107	DECORATIVE WALL COVERING	NAILITE INTERNATIONAL	1996-09-26	1996-02-16
WO9415042	PCT/US93/0012512	DECORATIVE WALL COVERING WITH IMPROVED INTERLOCK AND CORNER CONSTRUCTION	NAILITE INTERNATIONAL	1994-07-07	1993-12-22
WO06093902	PCT/US06/0006925	SIMULATED HAND LAID BRICK AND MORTAR WALL COVERING	NAILITE INTERNATIONAL	2006-09-08	2006-02-28
WO06017582	PCT/US05/0027575	ROOF AND WALL COVERING WITH IMPROVED CORNER CONSTRUCTION	NAILITE INTERNATIONAL INC.	2006-02-16	2005-08-02
WO03104579	PCT/US03/0012254	WALL COVERING WITH IMPROVED CORNER MOLDING AND METHOD OF INSTALLATION	NAILITE INTERNATIONAL	2003-12-18	2003-04-22
WO03095760	PCT/US03/0012532	DECORATIVE WALL COVERING WITH UPWARD MOVEMENT PANEL INTERLOCK SYSTEM	NAILITE INTERNATIONAL	2003-11-20	2003-04-22
EP1532324	EP2003000757252	WALL COVERING WITH IMPROVED CORNER MOLDING AND METHOD OF INSTALLATION	NAILITE INTERNATIONAL	2005-05-25	2003-04-22
EP1504164	EP2003000724173	DECORATIVE WALL COVERING WITH UPWARD MOVEMENT PANEL INTERLOCK SYSTEM	NAILITE INTERNATIONAL	2005-02-09	2003-04-22
EP0817895	EP1996000906479	DECORATIVE WALL COVERING	NAILITE INTERNATIONAL	2004-04-28	1996-02-16

lication No.	Application No.	Title	Listed Owner	Publication Date	Filing Date
CA2607308	CA2007002607308	DECORATIVE WALL COVERING WITH IMPROVED INTERLOCK SYSTEM	NAILITE INTERNAT	2008-04-27	2007-10-23
CA2037429	CA1991002037429	DECORATIVE WALL COVERING AND METHOD OF INSTALLATION	NAILITE INTERNATIONAL	1991-09-03	1991-03-01
AU6049594	AU1993009460495	DECORATIVE WALL COVERING WITH IMPROVED INTERLOCK AND CORNER CONSTRUCTION	NAILITE INTERNATIONAL	1994-07-19	1993-12-22
AU3243149	AU2003000243149	WALL COVERING WITH IMPROVED CORNER MOLDING AND METHOD OF INSTALLATION	NAILITE INTERNATIONAL	2003-12-22	2003-04-22
AU3231049	AU2003000231049	DECORATIVE WALL COVERING WITH UPWARD MOVEMENT PANEL INTERLOCK SYSTEM	NAILITE INTERNATIONAL	2003-11-11	2003-04-22
DE69632316T2	DE1996069632316	DEKORATIVE WANDBEKLIDUNG	NAILITE INTERNATIONAL	2004-09-16	1996-02-16
DE112006000435T4	DE2006110000435T	Wandverkleidung mit der Nachbildung von handvermauerten Ziegeln mit Mörtelfugen	NAILITE INTERNATIONAL	2008-01-24	2006-02-28
JP2000516308T2	JP1996000528410	DECORATIVE WALL COVERING	NAILITE INTERNATIONAL	2000-12-05	1996-02-16

US Trademark Registration and US Trademark Applications

Serial No.	Registration No.	Mark	Status	Entity recorded as last owner
<u>73410141</u>		HEMECRAFT	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>74584838</u>		PERFECTION-PLUS	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>76184205</u>		(design logo)	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>76184206</u>		TWIGGS	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>76258796</u>		MARBELA	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>78259427</u>	<u>2934129</u>	M SERIES	Live	<u>NAILITE INTERNATIONAL INC.</u>
<u>73430384</u>	<u>1315798</u>	NAILITE	Live	<u>NAILITE INTERNATIONAL, INC.</u>
<u>73466656</u>	<u>1320734</u>	ACRYLIUM	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>73772648</u>	<u>1553744</u>	COLOR-THRU	Dead	<u>NAILITE INTERNATIONAL, INC.</u>
<u>76207530</u>	<u>2767399</u>	SIDERIGHT	Live	<u>NAILITE INTERNATIONAL, INC.</u>

Foreign Trademark Registrations and Trademark Applications

Country	Application No.	Registration No.	Mark	Status	Entity listed as last owner
European Community		000120717	NAILITE	Live	<u>NAILITE INTERNATIONAL INC.</u>
Canada	1107196		MARBELA	Abandoned	<u>NAILITE INTERNATIONAL INC.</u>
Canada	1109708		SIDERIGHT	Abandoned	<u>NAILITE INTERNATIONAL INC.</u>
Canada	0777510	TMA463775	NAILITE	Active	<u>NAILITE INTERNATIONAL, INC.</u>

Domain Names

www.nailiteinternational.com

www.sideright.com

www.nailite.com

Schedule 1.1(c) to Asset Purchase Agreement

Assumed Leases

- Building Lease with KTR (former tenant MA & TN Sandifer) dated October 7, 1999, as amended. The assumption of this agreement is subject to negotiation of a satisfactory amendment with KTR South Florida, LLC.

Schedule 2.3 to Asset Purchase Agreement

Allowed Administrative Amount

[To be determined]

Schedule 5.3 to Asset Purchase Agreement

Required Permits

- Major Accounts Agreement with ADP, Inc. dated January 4, 2005
- Commercial Sales Agreement with ADT Security Services, Inc. dated January 12, 2005
- Secrecy Agreement with Americhem, Inc. & Ciba Specialty Chemicals Corporation & Nailite International dated January 18, 2005
- Capital Lease with De Lage Landen dated August 31, 2007
- Capital Lease with Dell Financial Services L.L.C. dated October 29, 2008
- Capital Lease with GE Capital Commercial Equipment Financing dated June 4, 2004
- Installation & Service with Honeywell (now Stanley Convergent Security) dated July 25, 2004
- Installation & Service with Honeywell (now Stanley Convergent Security) dated July 26, 2004
- Software Support Agreement with Identocard Systems dated January 21, 2008
- Sales Agreement with Infinite Energy (TECO Partners)]
- Maintenance Agreement with Joy Communications dated July 7, 2006
- Operating Lease with Kronos Incorporated signed March 5, 2002
- Building Lease with KTR (former tenant MA & TN Sandifer) dated October 7, 1999, as amended
- Confidentiality Agreement with Lehigh Technologies dated November 21, 2007
- Software & IT Support Agreement with Parmac Solutions dated June 6, 2006
- Capital Lease with Pitney Bowes dated December 10, 2003
- Nondisclosure Agreement with Resource Dynamics International Ltd. dated February 21, 2008
- Service Agreement with Runzheimer Payment Solutions dated December 20, 2007
- Confidentiality Agreement with Sherwin-Williams Company (Chemical Coatings Division) dated March 29, 2006
- Service Agreement with TelCove Investment, L.L.C. dated June 1, 2006
- Bonded Stocking and Distributing Agreement with Vancouver Warehouse dated November 15, 2002

Schedule 5.6 to Asset Purchase Agreement

Litigation

1. A charge of discrimination was filed by Chrisphord St. Fleur, in which he alleges that Nailite discriminated against him based on his age, disability, race and national origin. According to Mr. St. Fleur's counsel, the charge of discrimination was filed with the Miami-Dade County Equal Opportunity Board, the Florida Commission on Human Relations and the United States Equal Employment Opportunity Commission.
2. Consumers and customers may bring such warranty claims as are encountered in the ordinary course of business.
3. See Schedule 5.15.

Schedule 5.15 to Asset Purchase Agreement

Environmental Claims

1. Michigan Department of Environmental Quality v. Nailite International, Inc.

In May, 2007, the Michigan Department of Environmental Quality (MDEQ) notified Nailite International, Inc. ("Nailite") and Textron Inc. that it was seeking recovery from the companies of past cleanup costs related to an abandoned industrial site referred to as the National Motor Casting (NMC Site) located in South Haven, MI. MDEQ contends that Nailite is liable as an alleged successor to W.E. Davis Co., which entity allegedly owned and/or operated the Site from approximately 1983 to 1988. MDEQ has indicated that the amount of its cost recovery claim is approximately \$2.0 million dollars. Nailite and Textron have entered into Tolling Agreements with MDEQ. Meanwhile, the Company has provided information to MDEQ asserting that it is not a liable party, and Nailite also has served indemnification notices/claims against certain former W.E. Davis Co. shareholders under the terms of a 1988 Stock Purchase Agreement. Nailite also has notified certain insurance carriers of MDEQ's claim and has requested defense/indemnity coverage.

2. City of Chicago v. ArvinMeritor, et al., N.D. IL. No. 1:05-cv-05148.

On September 8, 2005, the City of Chicago filed a Complaint in the Northern District of Illinois federal court against several defendants, including Nailite International, Inc. ("Nailite"). The Complaint concerns an abandoned industrial site referred to as the Amforge Site (the "Site") which the City alleges is environmentally contaminated by past operations. The Complaint alleges that Nailite is a liable as an alleged successor to W.E. Davis Co., which entity allegedly owned and/or operated the Site from approximately 1983 to 1988. The Complaint primarily seeks recovery of Site remediation costs, but also includes claims for injunctive relief, as well as penalties and costs under the City's Municipal Code, including all of the City's attorneys' fees and other litigation costs. The City's Complaint asserts that cleanup is ongoing, and that final Site remediation costs are likely to total \$3.0 to \$3.5 million dollars. Nailite filed an Answer to the Complaint, and also asserted indemnification claims against certain former W.E. Davis Co. shareholders under the terms of a 1988 Stock Purchase Agreement. Those shareholder defendants in turn filed claims against additional fourth party defendants. The litigation was settled in January, 2008 by means of a court-approved Consent Decree. The Consent Decree resolved all cleanup costs and other claims asserted by the plaintiff City of Chicago, subject to standard Superfund settlement re-opener provisions for potential future claims related to unknown conditions, natural resource damages, and third-party claims. Nailite has not been notified of and is not aware of the existence of any such claims. As part of the settlement, Nailite paid a nominal amount to the City of Chicago. However, also as part of the settlement, Nailite obtained reimbursements from certain former stockholder indemnitees and an insurance carrier in amounts considerably greater than the underlying settlement payment made by Nailite to the City of Chicago.

EXHIBIT A to Asset Purchase Agreement

Sale Order