FORM 8-K

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PERRY-JUDDS INC

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Business Address
575 MADISON STREET
WATERLOO WI 53594
9204783551

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

_____

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) SEPTEMBER 2, 1998

PERRY JUDD'S HOLDINGS, INC.
(Exact name of registrant as specified in charter)

DELAWARE	333-45235	51-0365965
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

575 WEST MADISON STREET, WATERLOO, WISCONSIN	53594
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 920-478-3551

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

A. SALE OF PORT CITY PRESS, INC.

On September 2, 1998, a subsidiary of Perry Judd's Holdings, Inc. (the "COMPANY"), Perry Judd's Incorporated ("PERRY JUDD'S"), consummated the sale of all of the outstanding shares of capital stock (the "STOCK") of its wholly-owned subsidiary, Port City Press, Inc. ("PORT CITY PRESS"), to Mack Printing Company pursuant to that certain Stock Purchase Agreement, dated as of July 31, 1998, among Mack Printing Company, Port City Press and Perry Judd's, as amended (the "STOCK PURCHASE AGREEMENT"). The aggregate cash consideration received by Perry Judd's in the transaction totaled approximately $29,374,000, which amount is net of closing costs and fees of Perry Judd's. The Stock Purchase Agreement also contained customary indemnities and guarantees.

B. SALE AND LEASEBACK

In connection with the Stock Purchase Agreement, on August 17, 1998, Perry

Judd's consummated an Agreement of Purchase and Sale with 1323 Greenwood, L.L.C. (the "BUYER") relating to the sale and leaseback by Perry Judd's of a parcel of real property and industrial building located in Pikesville, Maryland (the "PROPERTY") which had been used in the operations of Port City Press (the "SALE/LEASEBACK TRANSACTION"). As part of the Sale/Leaseback transaction, the Company and Perry Judd's entered into a long-term lease as lessees, with the Buyer as lessor, for the Property (the "LEASE"). The Company and Perry Judd's then subleased the Property to Port City Press (the "SUBLEASE") under substantially the same economic terms as those contained in the Lease.

Perry Judd's received cash consideration from the Buyer for the Property of approximately $9,534,000, net of closing costs and fees. The terms of the Lease include a twenty year term with an initial annual lease payment of $977,407 and 14.5% escalations scheduled at the start of the sixth, eleventh and sixteenth years.

The foregoing descriptions of the Stock Purchase Agreement, the Lease and the Sublease do not purport to be complete statements of the parties' rights and obligations thereunder, and are qualified in their entirety by reference to the definitive agreements, copies of which are attached as exhibits hereto and the contents of which are incorporated herein by reference.

ITEM 5. OTHER MATTERS

Effective July 9, 1998, Judd and Detweiler, Inc., a wholly-owned subsidiary of Judd's Incorporated (a predecessor company to Perry Judd's), merged with and into Judd's Incorporated.

Effective July 16, 1998, the Company and its subsidiaries completed the following transactions:

a) The Company changed its name from Perry-Judd's Incorporated to Perry Judd's Holdings, Inc.

b) Mount Jackson Press, Inc. and Shenandoah Valley Press, Inc., wholly-owned subsidiaries of Judd's Incorporated, merged with and into Judd's Incorporated.

c) Judd's Incorporated merged with and into another wholly-owned subsidiary of the Company, Perry Graphic Communications, Inc. The surviving company, Perry Graphic Communications, Inc., changed its name to Perry Judd's Incorporated, which continues to be a wholly-owned subsidiary of the Company.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements.

None required.

(b) Pro Forma Financial Information.

Basis of Presentation

The unaudited pro forma condensed consolidated financial statements have been prepared to illustrate the effects of adjustments relating to the sale of the Company's wholly-owned subsidiary, Port City Press, which was consummated effective September 2, 1998, and the Sale/Leaseback transaction, which was consummated effective August 17, 1998.

The unaudited pro forma condensed consolidated balance sheet as of June 30,

1998 assumes that the sale of Port City Press and the Sale/Leaseback transaction occurred as of June 30, 1998, and the unaudited pro forma condensed consolidated statement of operations for the six month period ended June 30, 1998 assumes that the sale of Port City Press and the Sale/Leaseback transaction were consummated as of the first day of the period presented.

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 1997 has not been presented, since the assets and liabilities involved in the sale of Port City Press and the Sale/Leaseback transaction were acquired or assumed effective December 16, 1997, and therefore the effects of any pro forma adjustments for the year ended

December 31, 1997 would not have been material to the Company's results of operations for such year.

The unaudited pro forma condensed consolidated financial statements presented herein should be read in conjunction with the condensed consolidated financial statements of the Company included in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.

The pro forma consolidated financial information presented herein is not necessarily indicative of the consolidated results of operations or the consolidated financial position of the Company that would have resulted had the transactions described herein occurred as described above in this Item 7, nor is it necessarily indicative of the Company's consolidated results of operations for future periods or its future consolidated financial position.

PERRY JUDD'S HOLDINGS, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 1998
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	Historical	Pro Forma Adjustments		Pro Forma
<S>	<C>	<C>		<C>
NET SALES.	$146,805	$(18,353)	(A)	$128,452
OPERATING EXPENSES:				
Costs of production	115,791	(11,891)	(A)	103,900
Selling, general and administrative . .	16,381	(3,327)	(A)	13,054
Depreciation.	6,123	(646)	(A)	5,477
Amortization of intangibles	980	(165)	(B)	815
	139,275	(16,029)		123,246
INCOME FROM OPERATIONS	7,530	(2,324)		5,206
OTHER (INCOME) EXPENSES:				
Interest expense.	7,701			7,701
Amortization of deferred financing costs	586			586
Interest income	(142)	6	(A)	(1,206)
		(1,070)	(C)	
Loss (gain) on sale of assets	(99)			(99)

Other, net.	202	(3)	(A)	199
	8,248	(1,067)		7,181
LOSS BEFORE INCOME TAXES	(718)	(1,257)		(1,975)
BENEFIT FOR INCOME TAXES	(1)	(569)	(D)	(570)
LOSS BEFORE DIVIDENDS ON REDEEMABLE PREFERRED STOCK.	(717)	(688)		(1,405)
DIVIDENDS ON REDEEMABLE PREFERRED STOCK	522			522
NET LOSS	$ (1,239)	$ (688)		$ (1,927)

</TABLE>

See accompanying notes to pro forma condensed consolidated financial statements.

PERRY JUDD'S HOLDINGS, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

ASSETS	June 30, 1998 (Unaudited)	Pro Forma Adjustments		June 30, 1998 Pro Forma
<S>	<C>	<C>		<C>
CURRENT ASSETS:				
Cash and cash equivalents	$ 416	$ 9,534	(E)	$ 39,322
		29,374	(H)	
		(2)	(I)	
Accounts receivable - net of allowance for doubtful accounts of $796.	43,781	(5,173)	(I)	38,608
Inventories	21,156	(2,724)	(I)	18,432
Deferred income taxes	539	(21)	(I)	518
Other current assets.	2,928	(79)	(I)	2,849
Total current assets . .	68,820	30,909		99,729
Property, plant and equipment, at cost.	147,091	(9,675)	(F)	125,650
		(11,766)	(I)	
Accumulated depreciation and amortization . . .	(20,446)	141	(F)	(19,767)
		538	(I)	
Property, plant and equipment - net	126,645	(20,762)		105,883
Goodwill - net.	27,664	(1,114)	(G)	16,141
		(10,409)	(I)	
Other assets - net.	12,621			12,621

TOTAL ASSETS	$235,750	$ (1,376)		$234,374

</TABLE>

See accompanying notes to pro forma condensed consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
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CURRENT LIABILITIES:				
<S>	<C>	<C>		<C>
Accounts payable and accrued expenses	$ 35,014	$ (2,739)	(I)	$ 32,275
Income taxes payable.	(440)	1,856	(G)	5,423
		4,007	(J)	
Borrowings under revolving credit facility.	5,026			5,026
Current maturities of long-term debt.	3,081			3,081
Total current liabilities.	42,681	3,124		45,805
Long-term debt.	141,144			141,144
Deferred income taxes	10,851	(2,970)	(G)	6,351
		(1,530)	(I)	
Other long-term liabilities	8,923			8,923
Total liabilities.	203,599	(1,376)		202,223
MINORITY INTERESTS: Redeemable Preferred Stock Series A, B and D with stated redemption value of $100 per share, aggregate liquidation value of $7,625 at June 30, 1998	7,016			7,016
STOCKHOLDERS' EQUITY:				
Preferred stock - par value $0.001 per share, 775,000 shares authorized, 102,926 shares issued and outstanding	10,293			10,293
Common stock - par value $0.001 per share, 1,000,000 shares authorized, 860,010 shares issued and outstanding	1			1
Additional paid-in capital.	21,500			21,500
Accumulated deficit	(6,659)			(6,659)
Total stockholders' equity	25,135			25,135
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$235,750	$ (1,376)		$234,374

</TABLE>

See accompanying notes to pro forma condensed consolidated financial statements.

Perry Judd's Holdings, Inc.
Notes to Pro Forma Condensed Consolidated
Financial Statements (Unaudited)

Note A Reflects the elimination of actual sales, operating, and other expenses and interest income for the Port City Press, Inc. operation for the six months ended June 30, 1998. There is no effect from additional lease expense related to the Sale/Leaseback transaction as both the Sale/Leaseback and sale of Port City Press, Inc. have been assumed to be consummated as of the first day of the period presented.

Note B Reflects the adjustment of goodwill amortization related to the goodwill eliminated in connection with the sale of Port City Press, Inc. and the Sale/Leaseback transaction.

Note C Reflects interest income at 5.5% per annum on the estimated sale proceeds (net of closing costs and fees) of $29,374,000 and $9,534,000, respectively, for the sale of Port City Press, Inc. and the Sale/Leaseback transaction.

Note D Reflects the tax effect of the pro forma adjustments (excluding goodwill amortization) using a tax rate of 40%.

Note E Reflects estimated sale proceeds (net of closing costs and fees) for land and buildings in the Sale/Leaseback transaction. These proceeds, net of income taxes payable, are available only for future acquisitions and capital expenditures, subject to certain limitations, for 270 days subsequent to the receipt of proceeds. Any proceeds not utilized for such purposes must be used to prepay term debt.

Note F Reflects net book value of land and buildings sold in the Sale/Leaseback transaction.

Note G Reflects the following estimated tax effects related to land and buildings sold:

<TABLE>

<S>	<C>
Current income taxes payable on taxable gain (including AMT tax at 20% rate)	$ 1,856
Elimination of deferred taxes on cumulative timing differences at 40% effective rate	(2,970)
Adjustment to purchase accounting allocation - goodwill reduction	$ (1,114)

</TABLE>

Note H Reflects estimated sale proceeds (net of closing costs and fees) from the sale of stock of Port City Press, Inc. These proceeds, net of income taxes payable, are available only for future acquisitions and capital expenditures, subject to certain limitations, for 270 days subsequent to the receipt of proceeds. Any proceeds not utilized for such purposes must be used to prepay term debt.

Note I Reflects the elimination of actual assets and liabilities sold or assumed in connection with the stock sale of Port City Press, Inc.

Note J Reflects the current income taxes expected to be paid on the taxable gain resulting from the sale of Port City Press, Inc. at an estimated rate of 25%.

<TABLE>
<CAPTION>
(c) Exhibits.

<C>	<S>
2.1	Stock Purchase Agreement, dated as of July 31, 1998, among Mack Printing Company, Port City Press, Inc., and Perry Judd's Incorporated, and Amendment No. 1 to Stock Purchase Agreement, dated as of August 28, 1998.
10.7	Lease, dated as of August 13, 1998, between 1323 Greenwood, L.L.C., a Delaware limited liability company, as Landlord, and Perry Judd's Holdings, Inc. and Perry Judd's Incorporated as Tenants.
10.8	Lease/Sublease, dated as of August 14, 1998, by and between Perry Judd's Incorporated and Perry Judd's Holdings, Inc., as Sublandlord, and Port City Press, Inc., a Maryland corporation, as Subtenant.

</TABLE>

ANNEXES

Certain annexes to the exhibits set forth above have been omitted. The Company hereby agrees to furnish such annexes supplementally upon the request of the Securities and Exchange Commission.

<TABLE>
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ANNEXES OMITTED:

EXHIBIT 2.1

<S>	<C>
Schedule I	Knowledge
Schedule II	Target Working Capital
Schedule III	Capital Expenditures Amount
Schedule IV	Elections Amount Illustration
Exhibit A	Form of Opinion of the Purchaser's Counsel
Exhibit B	Form of Opinion of the Seller's Counsel
Exhibit C	Form of Employment Agreement
Exhibit D	Form of Non-Competition Agreement
Exhibit E	Form of Lease/Sublease

EXHIBIT 10.7

Exhibit 1	Legal Description
Exhibit 5-1	Primary Term Basic Rent
Exhibit 5-2	Extension Term Basic Rent
Exhibit 9	Permitted Exceptions
Exhibit 15-1	Purchase Price Schedule
Exhibit 15-2	Additional Sales Closing Requirements
Exhibit 25-1	Estoppel Certificate
Exhibit 25-2	Estoppel Certificate
Exhibit 36	Representations and Warranties

EXHIBIT 10.8

Exhibit "A"	Legal Description of the Premises
Exhibit "B"	Master Lease

</TABLE>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERRY JUDD'S HOLDINGS INC.

Date: September 17, 1998

By: /s/ Verne F. Schmidt

Verne F. Schmidt
Senior Vice President and
Chief Financial Officer

STOCK PURCHASE AGREEMENT

Dated as of July 31, 1998
among

PURCHASER:

MACK PRINTING COMPANY

COMPANY:

PORT CITY PRESS, INC.
AND

SELLER:

PERRY JUDD'S INCORPORATED

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SCHEDULES AND EXHIBITS

</TABLE>

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT dated as of July 31, 1998 (this "AGREEMENT"), is by and among (i) Mack Printing Company (doing business as the Mack Printing Group), a Pennsylvania corporation (the "PURCHASER"); (ii) Perry Judd's Incorporated, a Delaware corporation formerly known as Perry Graphic Communications, Inc. (the "SELLER"); (iii) Port City Press, Inc., a Maryland corporation (the "COMPANY").

RECITALS

A. The Purchaser desires to purchase from the Seller, and the Seller desires to sell to the Purchaser all of the issued and outstanding shares of capital stock of the Company (the "SHARES"), upon the terms and subject to the conditions contained herein (the "ACQUISITION").

B. In connection with the Acquisition, the parties desire to set forth certain representations, warranties and covenants made by each to the other or others as an inducement to the consummation of the Acquisition, upon the terms and subject to the conditions contained herein.

C. In connection with the Acquisition, the Seller is willing to indemnify the Purchaser, and the Purchaser is willing to indemnify the Seller, against certain losses and liabilities they may incur as a result of the Acquisition, upon the terms and subject to the conditions contained herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 DEFINED TERMS.

As used herein, the terms below shall have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

"ACCOUNTING PRINCIPLES" shall have the meaning set forth in SECTION 2.4(a).

"ACCOUNTS RECEIVABLE" shall have the meaning set forth in SECTION 4.7.

"ACQUISITION" shall have the meaning set forth in the Recitals.

"ACQUISITION DOCUMENTS" shall mean this Agreement and all instruments executed, filed or otherwise prepared, exchanged or delivered in accordance with this Agreement.

"ADJUSTED WORKING CAPITAL" shall have the meaning set forth in SECTION 2.3(a).

"ADJUSTMENT AMOUNT" shall have the meaning set forth in SECTION 2.3(a).

"AFFILIATE" shall have the meaning set forth in the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. Without limiting the foregoing, all directors and officers of a Person that is a corporation and all managing members of a Person that is a limited liability company, shall be deemed Affiliates of such Person for all purposes hereunder.

"AGREEMENT" shall mean this Stock Purchase Agreement.

"ASSET ALLOCATION" shall have the meaning set forth in SECTION 9.7(f).

"BENEFIT PLAN" shall have the meaning set forth in SECTION 4.21.

"BEST EFFORTS" shall mean the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible; PROVIDED, HOWEVER, that an obligation to use Best Efforts under this Agreement does not require the Person subject to that obligation to take actions that would have a Material Adverse Effect on the benefits to such Person of this Agreement and the Acquisition or to pay any monies.

"CAPITAL EXPENDITURES AMOUNT" shall have the meaning set forth in SECTION 2.3(a).

"CERCLA" shall mean the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended.

"CLAIM" shall mean any claim for Damages made pursuant to the terms of this Agreement.

"CLEANUP" shall mean any investigation, cleanup, removal, containment, monitoring or other remediation or response actions.

"CLOSING" shall have the meaning set forth in SECTION 3.1.

"CLOSING BALANCE SHEET" shall have the meaning set forth in SECTION 2.4(b).

"CLOSING DATE" shall have the meaning set forth in SECTION 10.1(d).

"COBRA" shall have the meaning set forth in SECTION 4.21.

"COMPANY" shall have the meaning set forth in the first paragraph of this Agreement.

"COMPANY ADJUSTMENT AMOUNT" shall have the meaning set forth in SECTION 2.4(a).

"COMPANY'S ACCOUNTANT" shall have the meaning set forth in SECTION 2.4(b).

"COMPANY'S COMPUTATION" shall have the meaning set forth in SECTION 2.4(b).

"CONFIDENTIAL INFORMATION" shall have the meaning set forth in SECTION 11.10(b).

"CONFIDENTIALITY AGREEMENT" shall mean that certain Confidentiality Agreement, dated as of March 25, 1998, by and between the Purchaser and Parent.

"CONSENT" shall mean any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"CONSIDERATION" shall have the meaning set forth in SECTION 2.2.

"CONTRACT" shall mean any agreement, contract, obligation, promise, or

undertaking (whether written or oral and whether express or implied) that is legally binding.

"DAMAGES" shall mean any and all costs, losses, Liabilities, obligations, damages, lawsuits, deficiencies, claims, demands and expenses (whether or not arising out of third-party claims), including without limitation interest, penalties, costs of mitigation, losses in connection with or arising out of CERCLA, any equivalent state statute or any other Environmental Law (including without limitation any Cleanup), damages to the Environment, reasonable attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing.

"DEDUCTIBLE AMOUNT" shall have the meaning set forth in SECTION 9.1.

"DISCLOSURE SCHEDULES" shall mean the schedules prepared and delivered by the Company and the Seller for and to the Purchaser and dated as of the date hereof which set forth the exceptions to the representations and warranties contained herein and certain other information called for by this Agreement. Unless otherwise specified, each reference in this Agreement to any numbered schedule is a reference to that numbered schedule which is included in the Disclosure Schedules. All matters disclosed on any Schedule to this Agreement are deemed disclosed on all Schedules to this Agreement, to the extent applicable and to the extent such disclosure can be reasonably interpreted as having application.

"ELECTION" shall have the meaning set forth in SECTION 9.7(f).

"ELECTION FORM" shall have the meaning set forth in SECTION 9.7(f).

"ELECTIONS AMOUNT" shall have the meaning set forth in SECTION 2.3(a).

"ENCUMBRANCE" shall mean any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, assignment, conditional sale agreement, mortgage, security agreement, security interest, right of first refusal or restriction or encumbrance of any kind whatsoever, including, without limitation, any restriction on use,

voting, transfer (other than restrictions on transfer imposed by the Securities Act and state securities laws), receipt of income or exercise of any other attribute of ownership.

"ENVIRONMENT" shall mean soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins and wetlands), groundwater, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

"ENVIRONMENTAL LAW" shall mean all federal, state, district, local and foreign laws, all codes, rules or regulations promulgated thereunder and all Orders, consent orders, judgments, notices, notice requirements, agency directives, guidelines or restrictions and demand letters issued, promulgated or entered pursuant thereto, in effect on or prior to the Closing Date, relating to pollution or protection of the Environment, including without limitation (i) laws relating to emissions, discharges, releases or threatened releases of Materials into the Environment and (ii) laws relating to the identification, generation, manufacture, processing, distribution, use, treatment, storage, disposal, recovery, transport or other handling of Materials. Environmental Laws shall include, without limitation, CERCLA, the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), RCRA, the Safe Drinking Water Act (21 U.S.C. Section 349, 42 U.S.C. Sections 201, 300f), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.) and the California Water Code (Section 13000 et seq.) or any other federal, state or local law of similar effect, each as amended.

"ENVIRONMENTAL NOTICE" shall mean any written notice by any Person alleging potential civil or criminal liability (including, without limitation, potential liability for Cleanup costs, governmental costs, harm or Damages to person, property, natural resources or other fines or penalties) arising out of, based on or resulting from (a) the emission, discharge, treatment, storage, disposal, release or threatened release in or into the Environment of any Material or (b) circumstances forming the basis of any violation, or alleged violation, of any applicable Environmental Law or Environmental Permit provision.

"ENVIRONMENTAL PERMITS" shall mean all licenses, permits, approvals, authorizations, waivers, consents or Orders of, or filings with, any Governmental Body, whether federal, state or local, required for the operation of the facilities under Environmental Laws.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"ERISA AFFILIATE" shall mean any other Person that, together with the Company, would be treated as a single employer under IRC Section 414(b) or (c), and solely for the purposes of potential liability under ERISA Section 302(c)(ii) and IRC Section 412(c)(ii) and the lien created under ERISA Section 302(f) and IRC Section 412(n), under IRC Section 414(m) or (o).

"ESTIMATED ADJUSTMENT AMOUNT" shall have the meaning set forth in SECTION 2.3(b).

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FINAL ELECTIONS AMOUNT" shall have the meaning set forth in SECTION 2.4(c).

"FINANCIAL STATEMENTS" shall have the meaning set forth in SECTION 4.5(a).

"GAAP" shall mean United States generally accepted accounting principles and practices, as such principles and practices are applied on a consistent basis with those principles and practices on which the Interim Financials were prepared.

"GOVERNMENTAL AUTHORIZATION" shall mean any approval, Consent, license, permit, franchise, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"GOVERNMENTAL BODY" shall mean any:

(a) nation, state, county, city, town, village, district or other jurisdiction of any nature;

(b) federal, state, local, municipal, foreign or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal);

(d) multi-national organization or body; or

(e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"GREENWOOD" shall have the meaning set forth in SECTION 7.13.

"HSR ACT" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"INDEMNITEE" shall have the meaning set forth in SECTION 9.3.

"INDEMNITOR" shall have the meaning set forth in SECTION 9.3.

"INDEPENDENT ACCOUNTANT" shall have the meaning set forth in SECTION 2.4(c).

"INITIAL CASH CONSIDERATION" shall have the meaning set forth in

SECTION 2.2.

"INTELLECTUAL PROPERTY" shall have the meaning set forth in SECTION 4.17(c).

"INTERIM BALANCE SHEET" shall have the meaning set forth in SECTION 4.5(b).

"INTERIM ELECTIONS AMOUNT" shall mean $1,528,000.

"INTERIM FINANCIALS" shall have the meaning set forth in SECTION 4.5(b).

"IRC" shall mean the Internal Revenue Code of 1986, as amended, or any successor law.

"IRS" shall have the meaning set forth in SECTION 4.21.

"KNOWLEDGE" shall mean, with respect to an individual making a representation to his or her "knowledge" or having "knowledge," those facts and circumstances actually known by such individual, and with respect to the Seller or the Company making a representation to its "knowledge" or having "knowledge," those facts and circumstances actually known by the officers of such entity identified on SCHEDULE I attached hereto.

"LEASE" shall have the meaning set forth in SECTION 7.13.

"LEGAL REQUIREMENT" shall mean any federal, state, local, municipal, foreign, international, multinational or other administrative order, constitution, law, ordinance, regulation, rule, statute or treaty.

"LIABILITY" shall mean any direct or indirect liability, indebtedness, obligation, commitment, expense, claim, deficiency, deferred income, guaranty or endorsement of or by any Person of any type, whether known, unknown, accrued, absolute, contingent, matured or unmatured.

"LIABILITY CAP" shall have the meaning set forth in SECTION 9.1.

"LOSS" shall have the meaning set forth in SECTION 9.1.

"MATERIAL ADVERSE EFFECT" with respect to any Person shall be deemed to occur if any event, change or effect, individually or in the aggregate with such other events, changes or effects, has occurred which could reasonably be expected to have a material adverse effect (i) on the business, assets (taken as a whole) (including intangible assets), liabilities (contingent or otherwise), results of operations, or financial condition of such Person or (ii) or on the

ability of a party hereto or on its stockholders or shareholders, as the case may be, to consummate the Acquisition.

"MATERIAL CONTRACTS" shall mean any oral or written (a) leases or other Contracts under which the Company is lessee of, or holds or operates, any machinery, equipment, vehicle or other tangible personal property owned by a third party and which entails annual payments, in the case of any such lease or other agreement, in excess of $50,000, (b) Contract to which the Company is a party and which are (i) outstanding Contracts with any of its present or former Representatives other than (x) Contracts involving payments of $10,000 or less which by their terms are cancelable by the Company with notice of not more than sixty (60) days and without cancellation penalties, severance or other termination payments and (y) Contracts which provide for payments based solely on commissions and require no minimum payments which by their terms are cancelable by the Company with notice of not more than sixty (60) days and without cancellation penalties, severance or other termination payments, (ii) pension, profit-sharing, bonus, retirement, stock option or employee benefit plans or other similar Plan or arrangement of

the Company, (c) mortgage, indenture, security agreement, pledge, note, bond, debenture, loan agreement or guaranty relating to the Company, (d) Contract between the Company and its stockholders or between the Company and any Affiliate of the Company, (e) guaranty of any obligation for borrowings or performances, or guaranty or warranty of products or services of any Person, excluding endorsements or guaranties of instruments made in the Ordinary Course of Business in connection with the deposit of items for collection and express product and statutory warranties, (f) Contracts for the purchase of any real estate, machinery, equipment or other capital assets with a purchase price exceeding $50,000, (g) Contract pursuant to which it is or may be obligated to make payments, contingent or otherwise, on account of or arising out of prior acquisitions or sales of businesses, assets, or stock of other entities, (h) sales commitment which continues for a period of more than twelve (12) months, (i) Contract which restricts the Company's ability to do business in any geographic area, with any particular Person, or in any particular line of business or industry and (j) other Contracts to which the Company is a party (other than (i) Governmental Authorizations listed in SCHEDULE 4.11 and (ii) leases of real property listed in SCHEDULE 4.15) with respect to which the aggregate amount reasonably expected to be received or paid by the Company thereunder exceeds $50,000.

"MATERIALS" shall mean pollutants, contaminants, or chemicals, or industrial, hazardous, or toxic materials, substances or wastes, and includes, without limitation, petroleum products and their constituent parts.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in ERISA

Sections 3(37)(A) and 4001(a)(3).

"NOTICE OF CLAIM" shall have the meaning set forth in SECTION 9.1.

"OBJECTION NOTICE" shall have the meaning set forth in SECTION 2.4(b).

"ORDER" shall mean any award, decision, injunction, judgment, order, decree, ruling or verdict entered, issued, made or rendered by any court, administrative agency or other Governmental Body or by any arbitrator.

"ORDINARY COURSE OF BUSINESS" shall describe any action taken by a Person if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; and

(b) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority) and is not required to be authorized by the parent company (if any) of such Person.

"ORGANIZATIONAL DOCUMENTS" shall mean (a) the articles or certificate of incorporation, all certificates of determination and designation, and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate or articles of limited partnership of a limited or limited liability partnership; (d) the operating agreement, limited liability company agreement and the certificate or articles of organization or formation of a limited liability company; (e) any agreement governing the operation of a trust; (f) any charter or similar document adopted or filed

in connection with the creation, formation or organization of any other Person; and (g) any amendment to any of the foregoing.

"OTHER BENEFIT PLANS" shall mean any written or oral plan, contract, or other arrangement of benefit to any group of employees, including without limitation, profit-sharing, deferred compensation, stock purchase, stock option, severance or termination pay, supplemental unemployment benefits or similar arrangement.

"PARENT" shall mean Perry Judd's Holdings, Inc., a Delaware corporation (formerly known as Perry-Judd's Incorporated) and the sole stockholder of the Seller.

"PBGC" shall have the meaning set forth in SECTION 4.21(j).

"PENSION PLAN" shall have the meaning set forth in ERISA Section 3(2)(A).

"PERSON" shall mean any individual, corporation (including any non-profit corporation), general, limited or limited liability partnership, limited liability company, joint venture, estate, trust, association, organization, labor union or other entity or Governmental Body.

"PLAN" shall have the meaning set forth in ERISA Section 3(3).

"POST-CLOSING PARTIAL PERIOD" shall have the meaning set forth in SECTION 9.7(b).

"PRE-CLOSING BALANCE SHEET" shall have the meaning set forth in SECTION 2.3(b).

"PRE-CLOSING PARTIAL PERIOD" shall have the meaning set forth in SECTION 9.7(a).

"PROCEEDING" shall mean any action, arbitration, audit, hearing, proceeding, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal or at law or in equity) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"PROPOSED ACQUISITION" shall have the meaning set forth in SECTION 6.6.

"PURCHASER" shall have the meaning set forth in the first paragraph of this Agreement.

"PURCHASER CLOSING DOCUMENTS" shall have the meaning set forth in SECTION 5.2.

"RCRA" shall mean the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended.

"RELEASE" shall mean and include any spilling, leaking, pumping, pouring, injecting, emitting, discharging, depositing, escaping, leaching, migrating, dumping or other releasing into the Environment or the workplace, whether intentional or unintentional, including without limitation as defined in any Environmental Law.

"REPRESENTATIVE" shall mean any officer, director, principal, attorney, agent, employee or other representative.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended,

and the rules and regulations promulgated thereunder.

"SELLER" shall have the meaning set forth in the first paragraph of this Agreement.

"SELLER CLOSING DOCUMENTS" shall have the meaning set forth in SECTION 4.4.

"SELLER'S ACCOUNTANT" shall have the meaning set forth in SECTION 2.4(b).

"SHARES" shall have the meaning set forth in the Recitals.

"STRADDLE PERIOD" shall have the meaning set forth in SECTION 9.7(b).

"TARGET WORKING CAPITAL" shall have the meaning set forth in SECTION 2.3(a).

"TAX" or "TAXES" shall mean any federal, state, local, foreign or other tax, levy, impost, fee, assessment or other governmental charge, including without limitation income, estimated income, gross receipts, business, occupation, franchise, property, payroll, personal property, sales, transfer, use, employment, commercial rent, occupancy, franchise or withholding taxes, and any premium, together with any interest, penalties and additions in connection with the foregoing.

"TAX RETURN" shall mean any return (including any information return), report, statement, schedule, notice, form or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of, or compliance with, any Legal Requirement relating to any Tax.

"THIRD PARTY CLAIM" shall have the meaning set forth in SECTION 9.3.

"TRUSTEE" shall have the meaning set forth in SECTION 7.12.

"WARN ACT" shall mean the Worker Adjustment and Retraining Notification Act of 1988.

"WELFARE PLAN" shall have the meaning set forth in ERISA Section 3(1).

ARTICLE II

PURCHASE AND SALE OF STOCK

2.1 TRANSFER OF STOCK. Upon the terms and subject to the conditions set forth herein, on the Closing Date the Seller shall sell, convey, transfer, assign and deliver to the Purchaser, and the Purchaser shall purchase from the Seller, the Shares, free and clear of any Encumbrance.

2.2 CONSIDERATION. Upon the terms and subject to the conditions set forth herein, in consideration for the transfer of the Shares pursuant to SECTION 2.1 of this Agreement, on the Closing Date the Purchaser shall pay to the Seller the aggregate amount of Thirty Million Five Hundred Thousand Dollars ($30,500,000) in cash (the "INITIAL CASH CONSIDERATION"), subject to the adjustments set forth in SECTION 2.3 and SECTION 2.4 below. On the Closing Date, the Purchaser shall pay to the Seller the aggregate amount of the Initial Cash Consideration increased or decreased, as applicable, by the Estimated Adjustment Amount determined in accordance with SECTION 2.3(b) and subject to further adjustment as set forth in SECTIONS 2.3 and 2.4 below, and paid by wire transfer of immediately available funds to an account designated by the Seller at least two (2) days prior to the Closing. The Initial Cash Consideration, as adjusted pursuant to SECTION 2.3 and SECTION 2.4 below, is referred to herein as the "CONSIDERATION."

2.3 ADJUSTMENTS TO CONSIDERATION.

(a) ADJUSTMENT FORMULA. The Initial Cash Consideration shall be subject to adjustment as follows: (i) if (x) the current assets of the Company excluding receivables due from Affiliates and all prepaid expenses in connection with the Acquisition, minus (y) the current liabilities of the Company excluding payables to Affiliates and that portion of funded indebtedness included in current liabilities, determined in accordance with GAAP, subject to normal, recurring year-end adjustments as if the Company's fiscal year-end ended on the Closing Date (as so determined, the "ADJUSTED WORKING CAPITAL") immediately prior to the Closing Date prior to giving effect to the Acquisition, is less than $4,624,000 (the "TARGET WORKING CAPITAL," as set forth on SCHEDULE II attached hereto), the Initial Cash Consideration shall be reduced by an amount equal to such deficiency; (ii) if the Adjusted Working Capital immediately prior to the Closing Date prior to giving effect to the Acquisition is in excess of the Target Working Capital, the Initial Cash Consideration shall be increased by an amount equal to such excess; (iii) the Initial Cash Consideration shall be increased by that amount equal to the aggregate capital expenditures, if any, actually made by the Company during the period from March 31, 1998 through and including the Closing Date, as to those items set forth on SCHEDULE III attached hereto (the "CAPITAL EXPENDITURES AMOUNT") and (iv) the Initial Cash Consideration shall be increased by the amounts necessary to reimburse the Seller for the incremental Taxes incurred or to be incurred by the Seller as a result of the Elections made in accordance with SECTION 9.7(f) below (the "ELECTIONS AMOUNT"). The amount of such adjustment to the Initial Cash Consideration is hereinafter referred to as the "ADJUSTMENT AMOUNT." By way of illustration, the Adjusted Working Capital of the Company determined in the manner required in this SECTION 2.3(a) based on the Interim Financials, was $4,624,000 as set forth on

SCHEDULE II attached hereto.

(b) INTERIM ADJUSTMENT. Not less than five (5) business days prior to the Closing Date, the Company shall deliver to the Purchaser a balance sheet for the Company as of June 30, 1998 (the "PRE-CLOSING BALANCE SHEET"), together with a

calculation of the estimated Company Adjustment Amount determined based upon the Pre-Closing Balance Sheet. The Pre-Closing Balance Sheet shall be an unaudited balance sheet prepared by the Company, consistent with the Accounting Principles. The sum of the estimated Company Adjustment Amount and the Interim Elections Amount is the "ESTIMATED ADJUSTMENT AMOUNT".

(c) FINAL ADJUSTMENT. In the event that there is any difference between the Estimated Adjustment Amount and the Adjustment Amount (as calculated pursuant to SECTION 2.4 below), the amount of such difference shall be paid to the Purchaser in the event that the Adjustment Amount is less than the Estimated Adjustment Amount or by the Purchaser in the event that the Adjustment Amount is more than the Estimated Adjustment Amount. Any amount required to be paid in accordance with this SECTION 2.3(c) shall be paid by certified or bank check or wire transfer to a bank account designated by the other party on or before the fifth business day following the final determination of the Adjustment Amount under SECTION 2.4.

2.4 POST-CLOSING AUDIT.

(a) The determination of the Adjustment Amount (other than the Final Elections Amount, the "COMPANY ADJUSTMENT AMOUNT") shall be made in accordance with GAAP, applied consistently with the practices applied in the preparation of the Interim Financials, subject to normal year-end adjustments as if the fiscal year of the Company ended on the Closing Date, prior to giving effect to the Acquisition (the "ACCOUNTING PRINCIPLES").

(b) The Purchaser will cause the Company to prepare and deliver to the Seller, within ninety (90) calendar days after the Closing Date, a balance sheet of the Company immediately prior to the Closing Date (the "CLOSING BALANCE SHEET"), and the Company's calculation of the Adjusted Working Capital immediately prior to the Closing Date (the "COMPANY'S COMPUTATION"), all as audited by Ernst & Young LLP (the "COMPANY'S ACCOUNTANT") and all as prepared in accordance with the Accounting Principles. The Seller will have sixty (60) days after receipt of the Company's Computation to review and deliver a written notice of objection (the "OBJECTION NOTICE") to the Company. The Objection Notice shall state each item to which the Seller takes exception; PROVIDED, HOWEVER, that the Seller's only bases for such objection shall be (i) that an item has not been prepared in accordance with the Accounting Principles or (ii) a computational error. The Objection Notice shall specify in reasonable

detail the nature and amount of any such exception. Any amounts not disputed in the Objection Notice shall be paid promptly in accordance with SECTION 2.3(c). In connection with such review, the Seller and Deloitte & Touche LLP (the "SELLER'S ACCOUNTANT") will have the right to review the methods used in the preparation of the Closing Balance Sheet, including the right to review all work papers related to the review by the Company's Accountant, and to confer with the Company and the Company's Accountant. If the Seller does not provide an Objection Notice to the Company within such thirty (30) days after receipt of the Closing Balance Sheet and the Company's Computation, the Seller will be deemed to have accepted and agreed to the Company's Computation as the Company Adjustment Amount. If the Seller delivers an Objection Notice to the

Company within such time period, then within thirty (30) days after the Objection Notice is received by the Company, the Seller and the Purchaser shall (i) meet to consider such objections and may agree to revise the Company's Computation, in which case the amount so agreed will be the Company Adjustment Amount and will be binding on the Seller and the Purchaser, or (ii) specify that an independent firm of public accountants of nationally recognized standing (the "INDEPENDENT ACCOUNTANT") will review the Company's Computation and the Objection Notice and report to the Company and the Seller the Independent Accountant's determination of the Company Adjustment Amount, which determination will be made within thirty (30) days after the date that the Independent Accountant receives the Company's Computation and the Objection Notice. Such determination by the Independent Accountant will be final and binding on the Purchaser, the Seller and the Company.

(c) Prior to the later of (i) ninety (90) calendar days after the Closing Date and (ii) ten (10) calendar days after the final determination of the Company Adjustment Amount (in accordance with SECTION 2.4(b)), the Purchaser shall deliver to the Seller the final calculation of the Elections Amount (the "FINAL ELECTIONS AMOUNT"). The Purchaser's calculation of the Final Elections Amount shall be made by revising SCHEDULE IV attached hereto based only on the Closing Balance Sheet and the Company Adjustment Amount, in each case as finally determined under this SECTION 2.4. In no event shall the Final Elections Amount be less than Zero Dollars ($0) and in no event shall the Purchaser's calculation of the Final Elections Amount require that the Seller pay to the Purchaser an amount greater than the Interim Elections Amount calculated in accordance with SECTION 2.3(b).

The Seller may object to the Purchaser's calculation of the Final Elections Amount by delivery of an Objection Notice prepared and delivered in accordance with SECTION 2.4(b) above. The Seller's only bases for objecting to the Purchaser's calculation of the Final Elections Amount shall be (i) that an item has not been included in such calculation

consistent with SCHEDULE IV or in accordance with the terms of this Agreement or (ii) a computational error. Any amounts not disputed in the Objection Notice shall be paid promptly in accordance with SECTION 2.3(C). In connection with such review, the Seller and the Seller's Accountant shall have the right to review the methods used in the preparation of the Final Elections Amount. If the Seller does not provide an Objection Notice to the Purchaser within such thirty (30) days after receipt of the Final Elections Amount, the Seller will be deemed to have accepted and agreed to the Final Elections Amount. If the Seller delivers an Objection Notice to the Purchaser within such time period, then within thirty (30) days after the Objection Notice is received by the Purchaser, the Seller and the Purchaser shall (i) meet to consider such objections and may agree to revise the Final Elections Amount, in which case the amount so agreed will be the Final Elections Amount and will be binding on the Seller and the Purchaser, or (ii) specify that an Independent Accountant will review the Final Elections Amount and the Objection Notice and report to the Purchaser and the Seller the Independent Accountant's determination of the Final Elections Amount, which determination will be made within thirty (30) days after the date that the Independent Accountant receives the Final Elections Amount and the Objection Notice. Such determination by the

Independent Accountant will be final and binding on the Purchaser, the Seller and the Company.

(d) All of the fees and expenses of the Independent Accountant, if any, shall be paid equally by the Purchaser, on the one hand, and the Seller, on the other hand; PROVIDED, HOWEVER, that, if the Independent Accountant determines that either party's position is totally correct, then the other party shall pay one hundred percent (100%) of the costs and expenses incurred by the Independent Accountant in connection with any such determination.

ARTICLE III

CLOSING

3.1 CLOSING. Upon the terms and subject to the conditions set forth herein, the closing of the Acquisition (the "CLOSING") shall be held at 10:00 a.m. local time on the Closing Date at the offices of Brobeck, Phleger & Harrison LLP at 1633 Broadway, 47th Floor, New York, New York 10019 unless the parties hereto otherwise agree.

3.2 DELIVERIES AT CLOSING.

(a) CONSIDERATION. The Purchaser will deliver to the Seller the Consideration in accordance with the terms of ARTICLE II hereof.

(b) STOCK CERTIFICATES. At the Closing, the Seller shall deliver to the Purchaser certificates evidencing all of the Shares, free and clear of any Encumbrances, duly endorsed in blank for transfer or accompanied by stock powers duly executed in blank.

(c) OTHER DELIVERIES OF THE PURCHASER. In addition to the delivery of the Consideration in accordance with SECTION 3.2(a) hereof, the Purchaser shall have executed (where applicable) and delivered to the Seller (or shall have caused to be executed and delivered by the appropriate Person), the following:

(i) a copy of the Articles of Incorporation of the Purchaser which is certified as of a recent date by the Secretary of State of the Commonwealth of Pennsylvania;

(ii) a customary certificate issued by the Secretary of State of the Commonwealth of Pennsylvania certifying to such matters as the due incorporation and good standing of, and payment of all applicable franchise taxes by the Purchaser;

(iii) a certificate of the Secretary of the Purchaser, certifying that the attached copies of the by-laws of the Purchaser and the resolutions of its board of directors authorizing the execution of this Agreement and the transactions contemplated hereby are true, correct and complete copies and are each in full force and effect and have

not been amended or modified, and that the officers of the Purchaser are those persons named in the certificate;

(iv) a certificate dated as of the Closing Date signed by the president, chief executive officer or senior vice-president of the Purchaser certifying that all of the conditions contained in ARTICLE VIII have been fulfilled prior to or on the Closing Date; and

(v) such other certificates, documents and agreements in connection with the consummation of the transactions contemplated hereby which are reasonably requested by the Seller, all in form and substance reasonably satisfactory to the Seller.

(d) OTHER DELIVERIES OF THE SELLER. In addition to those documents and instruments which are required to be delivered to the Purchaser at the Closing pursuant to SECTION 3.2(b) hereof, the Seller shall have executed (where applicable) and delivered to the Purchaser (or shall have caused to be executed and delivered by the appropriate Person), the following:

(i) a copy of the Certificate of Incorporation or Articles of Incorporation of both the Seller and the Company, each of which is

certified as of a recent date by the Secretary of State of the State of Maryland or the State of Delaware, as applicable;

(ii) customary certificates issued by the Secretary of State of the State of Maryland and the State of Delaware certifying to such matters as the due incorporation and good standing of, and payment of all applicable franchise taxes by each of the Seller and the Company, as applicable;

(iii) a certificate of the Secretary of each of the Seller and the Company, certifying that the attached copies of the by-laws of the Seller and the Company, respectively, and the resolutions of each of their respective boards of directors authorizing the execution of this Agreement and the transactions contemplated hereby are true, correct and complete copies and are each in full force and effect and have not been amended or modified, and that the officers of the Seller and the Company are those persons named in such certificate;

(iv) a certificate dated as of the Closing Date signed by the president, chief executive officer or executive vice president of the Seller certifying that all of the conditions contained in ARTICLE VII have been fulfilled prior to or on the Closing Date;

(v) all corporate record books of the Company, including minutes of all meetings of stockholders, directors and committees of the board of directors, if any, and the stock records of the Company and the resignations of all of the directors and officers of the Company effective as of the date prior to the Closing Date; and

(vi) such other certificates, documents and agreements in connection with the consummation of the transactions contemplated hereby which are reasonably requested by the Purchaser, all in form and substance reasonably satisfactory to the Purchaser.

(vii) A certificate of each appropriate Secretary of State certifying the good standing of the Seller and the Company in its state of incorporation and all states in which it is qualified to do business.

(e) OPINION OF THE PURCHASER'S COUNSEL. At the Closing, the Purchaser shall deliver to the Seller an opinion of Dechert Price & Rhoads, counsel to the Purchaser, dated as of the Closing Date, substantially in the form of EXHIBIT A attached hereto and containing such qualifications, limitations and assumptions as are reasonably acceptable to the Seller.

(f) OPINION OF THE SELLER'S COUNSEL. At the Closing, the Seller shall deliver to the Purchaser an opinion of Brobeck, Phleger & Harrison LLP, counsel to the Seller and the Company, dated as of the Closing Date,

substantially in the form of EXHIBIT B attached hereto and containing such qualifications, limitations and assumptions as are reasonably acceptable to the Purchaser. As to matters of Maryland law, such opinion may rely on an opinion from local counsel.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF

THE COMPANY AND THE SELLER

The Company and the Seller hereby, jointly and severally, represent and warrant to the Purchaser that the following representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct:

4.1 CORPORATE ORGANIZATION AND STANDING.

(a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority to own or lease its properties and to carry on its business as presently conducted. The Seller is duly qualified and in good standing as a foreign corporation duly authorized to conduct business in all jurisdictions in which the failure to be so qualified could reasonably be expected to have a Material Adverse Effect.

(b) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and has all corporate power and authority to own or lease its properties and to carry on its business as presently conducted. The Company has delivered to the Purchaser true, complete and correct copies of its Organizational Documents. The Company is duly qualified and in good standing as a foreign corporation duly authorized to conduct business in all jurisdictions in which the failure to be so qualified could reasonably be expected to have a Material Adverse Effect. SCHEDULE 4.1(b) accurately sets forth all jurisdictions in which the Company is so qualified.

4.2 CAPITALIZATION OF THE COMPANY.

(a) All of the authorized, issued and outstanding capital stock of the Company, and the record and beneficial ownership thereof, is as set forth on SCHEDULE 4.2(a) hereto. All issued and outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable and have not been issued in violation of any preemptive or similar rights. No options, warrants, puts, calls, conversion or other rights, agreements or commitments of any kind obligating the Company, contingently or otherwise, to issue or sell any

shares of its capital stock of any class or any securities convertible into or exchangeable for any such shares, are outstanding, and no authorization therefor has been given. Except as to those Encumbrances set forth on SCHEDULE 4.2(a) hereto, all of which will terminate upon transfer of the Shares to the Purchaser, all of the Shares held by the Seller are held free and clear of any Encumbrances.

(b) There are no preemptive or similar rights, and there are no claims or any basis therefor, in either case whether by contractual agreement, under applicable law or otherwise, on the part of any holder or former holder of any class of securities of the Company in connection with any transactions between the Company and any such holder involving any of the securities of the Company.

4.3 NO SUBSIDIARIES. The Company does not own, beneficially or of record, any capital stock of any corporation or other business entity nor does the Company own, beneficially or of record, any partnership interests in any general, limited or limited liability partnerships or any units or other membership interests in any limited liability companies.

4.4 NO CONFLICT. Except as set forth on SCHEDULE 4.4, the execution and delivery of this Agreement and the Seller Closing Documents (as defined in SECTION 4.20) by each of the Seller and the Company, the consummation by the Seller and the Company of the Acquisition in the manner contemplated herein and compliance by the Seller and the Company with any of the provisions hereof, will not (a) conflict with or result in any violation of or default under any provision of the respective Organizational Documents of the Seller and the Company or any resolution adopted by their respective boards of directors or shareholders, (b) result in a breach of, or a default under, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any Material Contract, except for such breaches or defaults or rights of termination, cancellation or acceleration as to which requisite waivers or Consents listed on SCHEDULE 4.4 have been obtained or will be obtained prior to the Closing Date or which could not reasonably be expected to have a Material Adverse Effect, (c) violate any Order or Legal Requirement applicable to either the Seller or the Company, or any of the businesses, properties or assets of either the Seller or the Company or (d) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge, the Acquisition or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Company or any of the assets owned or used by the Company, may be subject.

4.5 FINANCIAL INFORMATION.

(a) The Company has delivered to the Purchaser the unaudited balance sheet of the Company as of December 31, 1997 and the related statement of income and statement of cash flows for the year then ended (the "FINANCIAL

STATEMENTS"). The Financial Statements are included as SCHEDULE 4.5(a) hereto. The Financial Statements present fairly the financial condition of the Company at the date indicated and the results of its operations for the period indicated, subject, however, to normal, recurring year-end adjustments consistent with past practices (which will not be material in the aggregate); PROVIDED, HOWEVER, that the Financial Statements omit footnotes required under GAAP.

(b) The Company has delivered to the Purchaser the balance sheet of the Company as of March 31, 1998 (the "INTERIM BALANCE SHEET"), and the related statement of income for the period then ended, examined and reported upon by Deloitte & Touche LLP ("INTERIM FINANCIALS"). The Interim Financials are included as SCHEDULE 4.5(b) hereto. The Interim Financials have been prepared in accordance with GAAP and present fairly the financial condition of the Company at the date indicated and the results of its operations for the period indicated.

4.6 UNDISCLOSED LIABILITIES. The Company has no Liabilities except (i) as set forth in SCHEDULE 4.6 or on any other Schedule hereto, or reflected or reserved against in either the Interim Financials (or the notes thereto) or the Interim Balance Sheet; and (ii) for current Liabilities incurred in the Ordinary Course of Business since the date of the Interim Financials.

4.7 ACCOUNTS RECEIVABLE. Except as set forth in SCHEDULE 4.7, the accounts receivable and all other receivables shown on the Interim Financials and the Interim Balance Sheet and all receivables acquired or generated by the Company since March 31, 1998 (in each case subject to reserves for non-collectibility as reflected on the Interim Financials, the Interim Balance Sheet or as adjusted, in the Ordinary Course of Business of the Company for operations and transactions through the Closing Date) ("ACCOUNTS RECEIVABLE"), (a) are reflected properly on the books and Interim Financials of the Company, and (b) are valid receivables subject, to the Knowledge of either the Company or the Seller, to no set-offs or counterclaims. The reserves for non-collectibility referenced above have been reflected on the Interim Financials or the Interim Balance Sheet in accordance with GAAP. The Company has provided the Purchaser with a true, complete and correct schedule of the names of the twenty (20) largest customers of the Company in terms of sales volume, for the year to date period ended April 30, 1998.

4.8 INVENTORY. Except as set forth on SCHEDULE 4.8, the inventories reported on the Interim Financials and the Interim Balance Sheet are stated at the lower of cost (first in, first out method) or market in accordance with GAAP. Except as set forth in SCHEDULE 4.8, all inventories used in or relating to the conduct of the business of the Company are usable or saleable in the Ordinary Course of Business (subject to reserves for obsolescence as reflected on the Interim Financials of the Company and as adjusted, in the Ordinary Course of Business, for operations and transactions through the Closing Date) and are owned by the Company free and clear of any Encumbrance. Such reserves have been reflected on the books and Interim Financials of the Company in accordance with GAAP.

4.9 INSURANCE. SCHEDULE 4.9 hereto completely and accurately lists all primary, excess and umbrella policies, bonds and other forms of insurance currently owned or held by or on behalf of and/or providing insurance coverage to the Company, or its properties, assets and operations, or any of its directors, officers, agents or employees. No notice of termination or cancellation of any such policy has been received by the Company, all such policies are in full force and effect and, with respect to all such policies, all premiums currently payable or previously due have been paid. Except as set forth on SCHEDULE 4.9, none of such policies contains any provision that would permit the termination, limitation, lapse, exclusion or change in the terms of coverage (including, without limitation, a change in the limits of liability) by reason of the execution and delivery of this Agreement or the consummation of the Acquisition. Complete and accurate copies of all such policies and related documentation have been provided to the Purchaser.

4.10 LITIGATION. Except as set forth on SCHEDULE 4.10 hereto, the Company has not received written notice of any Proceeding, pending or threatened against, or affecting the properties, assets or operations of the Company that could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect on the Company or that questions the validity of this Agreement or of any action taken or to be taken in connection herewith or the consummation of the Acquisition. There are no Orders currently in force (a) which could reasonably be expected, either individually or in the aggregate, (i) to result in any material liability on the part of the Company or (ii) to have a Material Adverse Effect on the Company; or (b) with respect to which the Company is in default.

4.11 GOVERNMENTAL AUTHORIZATIONS; COMPLIANCE WITH LAWS. The Company owns, holds or possesses in its own name, all Governmental Authorizations (other than those the absence of which could not reasonably be expected to have a Material Adverse Effect) which are necessary to entitle it to use its corporate name, to own or lease, operate and use its assets and properties and to carry on and conduct its business and operations as presently conducted. All such Governmental Authorizations, and the relevant issuing agency, are listed on SCHEDULE 4.11 hereto. Each Governmental Authorization listed on SCHEDULE 4.11 is valid, subsisting and in full force and effect and, to the best of the Company's or the Seller's Knowledge, no suspension or cancellation of any such Governmental Authorization is pending or threatened and there is no basis for believing that any such Governmental Authorization subject to renewal will not be renewed upon expiration.

Except as set forth on SCHEDULE 4.11 hereto, the Company is not in violation of or default under any Governmental Authorization, any Legal Requirement applicable to it, which could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

4.12 TAX MATTERS. The Company has filed all Tax Returns required to

be filed and will have filed prior to the Closing Date all Tax Returns required to have been filed by it on or before the Closing Date, and each such return is or will be true, correct and complete in all material respects. The Company has paid all Taxes when required to be paid. The reserves for Taxes reflected in the Interim Financials and the Interim Balance Sheet are sufficient for the payment of all unpaid Taxes (whether or not currently disputed) accrued through the date thereof and nothing has occurred subsequent to such dates to make any of such reserves inadequate.

Except as set forth on SCHEDULE 4.12 hereto, the Company has not received written notice that the Internal Revenue Service or any other taxing authority has asserted against the Company any deficiency or claim for additional Taxes which has not been fully paid or finally settled, and any such deficiency or assessment shown on such SCHEDULE 4.12 is being contested in good faith through appropriate proceedings. No issue has been raised in writing by any federal, state, local or foreign taxing authority in any examination of the Company which, by application of the same or similar principles to similar transactions by the Company could reasonably be expected to result in a proposed deficiency for any period. To the best of the Company's Knowledge, no state of facts exists or has existed which would constitute grounds for the assessment of any Liability for Taxes with respect to the periods prior to the Closing Date which have not been audited by any taxing authority. No power of attorney has been executed by the Company with respect to any matter relating to Taxes which is currently in force. The Company is not a party to any Contract or other arrangement that would result, separately or in the aggregate, in the payment of any "EXCESS PARACHUTE PAYMENTS" within the meaning of IRC Section 280G. The Company has not filed (nor will it file prior to the Closing Date) a consent pursuant to IRC Section 341(f) and the Company has not agreed to have IRC Section 341(f) apply to any disposition of a subsection (f) asset (as such term is defined in IRC Section 341(f)(4)) owned by the Company. Except as set forth on SCHEDULE 4.12, the Company has not granted or requested, as the case may be, any waiver of any statute of limitations with respect to, or any extension of a period for the assessment or filing of, any Tax. Except as disclosed on SCHEDULE 4.12, no Tax Return of the Company or of any consolidated, combined, or unitary group that includes the Company is currently the subject of examination by a taxing authority and the Company has not received notice from any taxing authority of its intent to conduct such an examination. No claim has been made by a taxing authority in which the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction. Except as disclosed on SCHEDULE 4.12, the Company has never (a) joined in or been required to join in the filing of a consolidated, combined or unitary federal, state, or local income Tax Return or (b) been the subject of a closing agreement or ruling with respect to Taxes that has continuing effect. Neither the Company nor the Seller is a foreign person within the meaning of IRC Section 1445 and the regulations promulgated thereunder. The Company does not own an interest in any entity characterized as a partnership for federal income tax purposes. True copies of the pro forma consolidating federal income Tax Returns and state

income Tax Returns of the Company for the taxable years ended December 31, 1992 through December 31, 1996 have been delivered to the Purchaser.

4.13 BROKERS; FINDERS. Except as set forth on SCHEDULE 4.13, the fees of which shall be the sole responsibility of the Seller, neither the Seller nor the Company has retained any broker or finder in connection with this Agreement or the Acquisition so as to give rise to any valid claim for any brokerage or finder's commission, fee or similar compensation.

4.14 ABSENCE OF CERTAIN CHANGES. Except as set forth on SCHEDULE 4.14, (a) since March 31, 1998, no event, occurrence or development has occurred with respect to the Company which has had, or could reasonably be expected to have, a Material Adverse Effect or (b) since the date of the Interim Balance Sheet, the Company has not taken any action which would violate SECTION 6.2 hereof.

4.15 PROPERTIES AND ASSETS. SCHEDULE 4.15 hereto sets forth a complete and correct list of (a) all real property owned by the Company, (b) any lease pursuant to which the Company is the lessee of real property and (c) each item of tangible personal property used in or relating to the conduct of the business of the Company that has been capitalized for accounting purposes. The Company has (a) good and valid title to all of its personal assets and property, including, without limitation, all those listed on SCHEDULE 4.15, reflected in the Interim Financials or acquired after the date of the Interim Balance Sheet (except for inventories and other assets sold or otherwise disposed of in the Ordinary Course of Business since such date), and (b) good and marketable title to all the real property listed in SCHEDULE 4.15 as owned by it, and valid leasehold interests in all real properties listed in SCHEDULE 4.15 as leased by it, in each case free and clear of all Encumbrances other than (i) those reflected in the Interim Financials or listed in SCHEDULE 4.15 and (ii) those which do not, individually or in the aggregate, (x) materially interfere with the operation of its business as presently conducted or (y) otherwise have, or could reasonably be expected to have, a Material Adverse Effect. The Company enjoys peaceful and undisturbed possession under all real property leases under which it operates. The Company has not received written notice that the ownership or lease of real property by the Company and the use thereof, as presently used by the Company, violates any local zoning or similar land use laws or governmental regulations. The Company has not received written notice of violation of or noncompliance with any covenant, condition, restriction, order or easement affecting the real property owned or leased by the Company. The Company has not received written notice of condemnation or threatened condemnation affecting the real property owned or leased by it. The Company has made available to the Purchaser complete and correct copies of the lease agreements referred to in SCHEDULE 4.15. The personal property, equipment, plants, buildings, structures, facilities and all other assets and properties that will be owned or leased by the Company after the Closing Date will include all personal property, equipment, plants, buildings, structures, facilities and

all other assets and properties necessary to permit the Company to conduct its business as presently conducted, except for such changes as are permitted by SECTION 6.2.

4.16 MATERIAL CONTRACTS. SCHEDULE 4.16 hereto lists all of the Material Contracts to which the Company is a party, or by which it is bound. The Company has made available to the Purchaser true, complete and correct copies of all Material Contracts. Neither the Company nor, to the Knowledge of the Company or the Seller, any other Person is in default under any Material Contract which default has had, or could reasonably be expected to have individually or in connection with any other such default, a Material Adverse Effect on the Company. To the Company's and the Seller's Knowledge, there is no basis for any default or claim under any Material Contract that could reasonably be expected to have, individually or in connection with any other such default, a Material Adverse Effect on the Company, or event which, with the giving of notice, the passage of time, or otherwise could reasonably be expected, individually or in connection with any other such default, to have a Material Adverse Effect on the Company.

4.17 INTELLECTUAL PROPERTY RIGHTS.

(a) There are no trade names, trademarks, patents, copyrights, service marks, patent applications or patent licenses owned by or registered in the name of the Company or necessary to the business of the Company other than those listed in SCHEDULE 4.17(a)

hereto, which also lists (i) the federal or foreign registration (or application) number and the date of registration (or application) concerning registrations of any such trade names, trademarks, copyrights, patents and any other registered trade right, and any and all applications for any of the foregoing. The Company has delivered to the Purchaser true, correct and complete copies of all registrations, applications and related documents set forth on SCHEDULE 4.17(a)

(b) SCHEDULE 4.17(b) (i) lists all material intellectual property rights owned by any third party which are not generally commercially available and are currently used by the Company in the conduct of its business and (ii) states whether such use is or will be pursuant to license, sublicense, agreement or permission. The Company has delivered to the Purchaser true and complete copies of all agreements and other documents relating to the intellectual property rights set forth on SCHEDULE 4.17(b).

(c) The Company owns or possesses adequate and enforceable licenses or other rights to use (i) all intellectual property rights listed on SCHEDULES 4.17(a) and 4.17(b), (ii) all computer software used by the Company in the conduct of its business and (iii) all other trade names,

trademarks, patents, copyrights, service marks, all applications for any of the foregoing, and all other trade secrets, designs, plans, specifications and other intellectual property rights of every kind (whether or not registered) that are used in, possessed by or necessary for the conduct of its business (all of the items referred to in this SECTION 4.17(c) being the "INTELLECTUAL PROPERTY").

(d) Entry into this Agreement and consummation of the Acquisition will not impair the Company's ownership or use of the Intellectual Property. No Person has a right to receive a royalty or similar payment in respect of any item of Intellectual Property pursuant to any contractual arrangements entered into by the Company other than as set forth on SCHEDULE 4.17(b) hereto. The Company has not granted any license, sublicense or other similar agreement relating in whole or in part to any Intellectual Property other than as set forth on SCHEDULE 4.17(b) hereto. The Company has not received written notice that the Company's use of any item of Intellectual Property is interfering with, infringing upon or otherwise violating the rights of any third party in or to such Intellectual Property, and no written notice has been received by the Company alleging that the use or proposed use of any item of Intellectual Property by the Company infringes upon or otherwise violates any rights of a third party in or to such Intellectual Property and, to the Knowledge of the Company and the Seller, no Proceedings have been instituted or threatened against the Company alleging any such claim. The Company and the Seller have no Knowledge of any infringement, interference or other violation by any third person of the Company's rights in and to any of the Intellectual Property.

4.18 LABOR MATTERS. Except as set forth on SCHEDULE 4.18, there are (a) not in existence or threatened any labor strikes, disputes, slowdowns, lockouts or work stoppages by employees of the Company, and during the past five (5) years there has not been any such action in existence or, to the Knowledge of the Company and the Seller, threatened, (b) no collective bargaining agreements to which the Company is a party, nor any other Contract or work rules or practices agreed to, with any labor organization or employee association, (c) no grievance or

arbitration Proceedings arising out of any arrangements, formal or informal, to which the Company is a party relating to employment policies, (d) no unfair labor practice charges or complaints against the Company pending or threatened, before the National Labor Relations Board or any similar Governmental Body, (e) no charges with respect to or relating to the Company pending or threatened before the Equal Employment Opportunity Commission or any other Governmental Body responsible for the prevention of unlawful employment practices, (f) no representation of the employees of the Company by any labor organization, and to the Knowledge of the Company and the Seller, no union organizing activities among such employees nor, to the Company's and the Seller's Knowledge, any

question concerning such representation concerning such employees, (g) no notices received by the Company of the intent of any Governmental Body responsible for the enforcement of any labor or employment laws to conduct an investigation with respect to or relating to the Company, nor, to the Company's and the Seller's Knowledge, is any such investigation in progress, (h) no written personnel policies, rules or procedures applicable to any employees of the Company, except as set forth in employee handbooks, true, correct and complete copies of which have been provided to the Purchaser, nor any representation regarding longevity of employment to any such employee, or (i) no instances of noncompliance by the Company with any applicable Legal Requirement respecting employment or employment practices, terms and conditions of employment, wages, hours of work and, to the Company's and the Seller's Knowledge, occupational safety and health, except where such noncompliance would not individually or in the aggregate have, or could not reasonably be expected to have, a Material Adverse Effect. Since the enactment of the WARN Act, the Company has not effectuated or experienced (x) a "PLANT CLOSING" (as defined in the WARN Act) affecting any site of employment or one (1) or more facilities or operating units within any site of employment or facility used by the Company or (y) a "MASS LAYOFF" (as defined in the WARN Act) affecting any site of employment or facility used by the Company, nor has the Company been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state, local or foreign law.

4.19 NO CONSENT. Other than as set forth on SCHEDULE 4.19 hereto, and other than compliance with the applicable requirements of the HSR Act, no Consent of any Person is required to be obtained nor notification given by the Company in connection with the execution and delivery of this Agreement by the Company, or the consummation by the Company of the Acquisition, or the performance by the Company of any of the provisions hereof, other than any Consent where the failure of the Company to obtain such Consent, either in any case or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Company.

4.20 AUTHORIZATION. Each of the Seller and the Company has all requisite corporate power and authority to executive, deliver and perform this Agreement and the other Acquisition Documents to which the Company or the Seller is a party (the "SELLER CLOSING DOCUMENTS") and to consummate the Acquisition, and each of this Agreement and the Seller Closing Documents has been duly executed and delivered by each of the Seller and the Company pursuant to all necessary corporate authorization and is the legal, valid and binding obligation of the Seller and the Company, enforceable in accordance with its terms, except as enforcement may be limited by equitable principles limiting the right to obtain specific performance or other equitable remedies (whether raised in a Proceeding at law or in equity), or by applicable bankruptcy or insolvency laws and related decisions affecting creditors' rights generally.

4.21 COMPLIANCE WITH ERISA.

(a) The only employee pension benefit plans (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), welfare benefit plans (as defined in Section 3(1) of ERISA), bonus, stock purchase, stock ownership, stock option, deferred compensation, incentive, severance, termination or other compensation plan or arrangement, or other material employee fringe benefit plans presently maintained by, or contributed to by the Company or any other employer (an "ERISA AFFILIATE") that is, or at any relevant time was, together with the Company, treated as a "SINGLE EMPLOYER" under IRC Section 414(b), 414(c) or 414(m), for the benefit of employees or former employees of the Company, other than a multiemployer plan as defined in Section 3(37) of ERISA, are those listed in SCHEDULE 4.21 (the "BENEFIT PLANS"), a true and complete copy of each of which, and, where applicable, a copy of the most recent IRS Determination Letter received, and the three most recent IRS Forms 5500 filed, with respect to each such Benefit Plan, has been furnished to Purchaser.

(b) To the best of the Company's Knowledge or any ERISA Affiliate's Knowledge, the Company and, with respect to the Benefit Plans each ERISA Affiliate, and each of the Benefit Plans, are in compliance in all material respects with the applicable provisions of ERISA, and those IRC provisions applicable to the Benefit Plans.

(c) Except as may be disclosed in SCHEDULE 4.21, all contributions to, and payments from, the Benefit Plans which may have been required to be made in accordance with the Benefit Plans and, when applicable, Section 302 of ERISA or IRC Section 412, have been timely made. All such contributions to the Benefit Plans, and all payments under the Benefit Plans, except those to be made from a trust qualified under IRC Section 401(a), for any period ending before the Closing Date that are not yet, but will be, required to be made are properly accrued and reflected on the Balance Sheet or are disclosed on SCHEDULE 4.21. No asset of the Company or any ERISA Affiliate, is subject to any lien under Code Section 401 (a)(29), ERISA Section 302(f) or Code Section 412(n), ERISA Section 4068 or arising out of any action filed under ERISA Section 4301(b).

(d) Except as indicated on SCHEDULE 4.21, all material reports, returns and similar documents with respect to the Benefit Plans required to be filed with any government agency or distributed to any Benefit Plan participant have been duly and timely filed or distributed.

(e) The Company and each ERISA Affiliate have complied with the notice and continuation coverage requirements of IRC Section 4980B and the regulations thereunder with respect to each Benefit Plan that is, or was during any taxable year of the Company or any ERISA Affiliate for which the statute of limitations on the assessment of federal income taxes remains open, by consent or otherwise, a group health plan within the meaning of IRC Section 5000(b)(1).

(f) Except as indicated on SCHEDULE 4.21, all of the Benefit Plans which are pension benefit plans have received determination letters from the Internal Revenue Service ("IRS") to the effect that such plans are qualified and exempt from federal income taxes under IRC Sections 401(a) and 501(a), respectively, of , as amended through December 31, 1994, and no determination letter with respect to any Benefit Plan has been revoked nor has the Company or any ERISA Affiliate received notice of threatened revocation, nor has any Benefit Plan been amended in a manner that would require security to be provided in accordance with IRC Section 401 (a)(29).

(g) To the best of the Company's Knowledge or any ERISA Affiliate's Knowledge, each of the Benefit Plans has been administered at all times, and in all material respects, in accordance with its terms except that in any case in which any Benefit Plan is currently required to comply with a provision of ERISA or of the IRC, but is not yet required to be amended to reflect such provision, it has been administered in accordance with such provision.

(h) To the best of the Company's Knowledge or any ERISA Affiliate's Knowledge, except as indicated on SCHEDULE 4.21, there are no pending investigations by any governmental agency involving the Benefit Plans, no termination proceedings involving the Benefit Plans, and no threatened or pending claims (except for claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings against any Benefit Plan or asserting any rights or claims to benefits under any Benefit Plan which could give rise to any material liability, nor, to the best of the Company's or any ERISA Affiliate's knowledge are there any facts which could give rise to any material liability in the event of any such investigation, claim, suit or proceeding.

(i) To the best of the Company's Knowledge or any ERISA Affiliate's Knowledge, neither the Benefit Plans, the Company, any ERISA Affiliate, nor any employee of the foregoing, any trusts created thereunder, nor any trustee, administrator or other fiduciary thereof, has engaged in a "PROHIBITED TRANSACTION" (as such term is defined in IRC Section 4975 or Section 406 of ERISA) which could subject any thereof to the tax or penalty on prohibited transactions imposed by such Section 4975 or the sanctions imposed under Title 1 of ERISA. Except as indicated on SCHEDULE 4.21, neither the Benefit Plans nor any such trust has been terminated nor have there been any "REPORTABLE EVENTS" (as defined in Section 4043 of ERISA and the regulations thereunder) with respect to either thereof.

(j) Neither the Company nor any ERISA Affiliate has incurred any material liability to the Pension Benefit Guaranty Corporation ("PBGC") with respect to any Benefit Plan subject to Title IV of ERISA, other than for the payment of premiums, all of which have been paid when due. No Benefit Plan has applied for or received a waiver of the minimum funding

standards imposed by IRC Section 412. The Company has furnished to Purchaser the most recent actuarial report with respect to each Benefit Plan that is a defined benefit pension plan, as defined by Section 3(35) of ERISA. The information supplied to the actuary by the Company and its ERISA Affiliates for use in preparing those reports was complete and accurate and neither the Company nor any ERISA Affiliate has any reason to believe that the conclusions expressed in those reports

are incorrect. No event has occurred since the date of any such actuarial report that had, or is likely to have, a materially adverse effect on the ratio of plan assets to the actuarial present value of plan obligations for accumulated benefits shown in such report.

(k) Set forth on SCHEDULE 4.21 are the unfunded liabilities and projected costs, as of the date of this Agreement, of each of the Benefit Plans that either will require payment by the Company or any ERISA Affiliate as a result of the transactions contemplated by this Agreement or that are to be continued by the Purchaser pursuant to any provision of this Agreement for the period of such continuation. Unfunded liabilities include, but are not limited to, (1) the excess of the liabilities, determined using the accumulated benefit obligation methodology of Statement of Financial Accounting Standards No. 87, of any Benefit Plan subject to Title IV of ERISA over the fair market value of such Benefit Plan's assets, (2) the amount of any unfunded deferred compensation and (3) the actuarially determined present value of any obligation to provide retiree medical or life insurance benefits. For the purposes of this SECTION 4.21 unfunded liabilities and projected costs have been determined by the Company and its actuaries using actuarial methods and assumptions that are, singly and in the aggregate, reasonable taking into account circumstances known to them on the date of this Agreement, and, except as adjusted to satisfy the requirements that such assumptions be reasonable, consistent with prior practice.

(l) At no time since January 1, 1992 has (i) the Company or (ii) any ERISA Affiliate, incurred any liability which could subject the Purchaser to material liability under Section 4062, 4063 or 4064 of ERISA.

(m) Except as indicated on SCHEDULE 4.21, at no time since December 31, 1991, has the Company or any ERISA Affiliate been required to contribute to, or incurred any withdrawal liability, within the meaning of Section 4201 of ERISA, to any multiemployer pension plan, within the meaning of Section 3(37) of ERISA nor does the Company or any ERISA Affiliate have any potential withdrawal liability arising from a transaction described in Section 4204 of ERISA. All required contributions, withdrawal liability payments or other payments of any type that the Company or any ERISA Affiliate have been obligated to make to any multiemployer plan have been duly and timely made. Any withdrawal

liability incurred with respect to any multiemployer plan has been fully paid as of the date hereof. Neither the Company nor any ERISA Affiliate has undertaken any course of action that could reasonably be expected to lead to a complete or partial withdrawal from any multiemployer plan. Set forth next to each multiemployer plan listed on SCHEDULE 4.21 which is to be assumed by Purchaser is the amount of the withdrawal liability that would be incurred by the Company or any ERISA Affiliate with respect to such plan, under Section 4201 of ERISA, if the Company or any ERISA Affiliate were to completely withdraw from such multiemployer plan on the date hereof.

(n) Neither the Company nor any ERISA Affiliate has incurred or is reasonably likely to incur any liability with respect to any plan or arrangement that would be included within the definition of "Benefit Plan" hereunder but for the fact that such plan or arrangement was terminated before the date of this Agreement.

(o) Except as listed on SCHEDULE 4.21, no payment which is or may be made by from or with respect to any Benefit Plan, to any employee, former employee, director or agent of the Company or any ERISA Affiliate, either alone or in conjunction with any other payment, will or could properly be characterized as an excess parachute payment under IRC Section 280G.

(p) There are no material pension, welfare, bonus, stock-purchase, stock ownership, stock option, deferred compensation, incentive, severance, termination or other compensation plan or arrangement, or other material employee fringe benefit plan presently maintained by, or contributed to by the Company, or any ERISA Affiliate for the benefit of any employee of the Company or any ERISA Affiliate, including any such plan required to be maintained or contributed to by the law of the relevant jurisdiction, which would be described in (a) above, but for the fact that such plans are maintained outside the jurisdiction of the United States.

4.22 ENVIRONMENTAL MATTERS.

(a) Except as set forth in SCHEDULE 4.22, the Company and the properties and assets used in its business are in compliance with all applicable Environmental Laws and, to the Knowledge of the Company, there are no circumstances which may materially prevent or interfere with compliance in the future. Except as set forth or referred to in SCHEDULE 4.22, in the last five (5) years, the Company has not received any communication (whether written or, to the Knowledge of the Company, oral), whether from a Governmental Body, citizen group, employee or otherwise, that alleges that the Company or any of the properties or assets used in its business is not in full compliance with Environmental Laws. The Company holds all Environmental Permits necessary for the conduct of the

business and operations as currently conducted prior to the Closing Date. The Company has made available to the Purchaser the Environmental Permits, or copies thereof. Except as set forth on SCHEDULE 4.22, the Company is, and has been for the previous five (5) years, in compliance with all Environmental Permits except where the failure so to comply could not reasonably be expected to have a Material Adverse Effect. The Company has not been notified by any relevant Governmental Body that any Environmental Permit will be modified, suspended or revoked or cannot be renewed in the Ordinary Course of Business.

(b) Except as set forth on SCHEDULE 4.22, there is no Environmental Notice that is pending or, to the Knowledge of the Company, threatened against the Company. The Company has not received any written notice (nor to its Knowledge, any oral notice) with respect to any Environmental Notice pending or threatened against any Person whose liability for such Environmental Notice may have been retained or assumed by or could reasonably be imputed or attributed, in whole or in part, to the Company.

(c) Except as set forth on SCHEDULE 4.22, there are no past or present actions, activities, circumstances, conditions, events or incidents arising from the operation, ownership or use by the Company of any property currently or, formerly owned, operated or used by the Company (or, to the Knowledge of the Company, any entity formerly an affiliate of the Company), including, without limitation, the Release of any Material into

the Environment, that have formed or could reasonably be expected to form the basis of any Environmental Notice against or with respect to the Company.

(d) Except as set forth on SCHEDULE 4.22, to the Knowledge of the Company, there have been no suspected or acknowledged Releases of Materials at, from or onto any property adjacent to any property currently or formerly owned, operated or used by the Company (or, to the Knowledge of the Company, any entity formerly an affiliate of the Company).

(e) Without in any way limiting the generality of the foregoing, to the Knowledge of the Company, (i) all underground storage tanks, and the capacity and contents of such tanks, located on property owned, leased or used by the Company are identified in SCHEDULE 4.22, (ii) except as provided in SCHEDULE 4.22, there is no asbestos contained in or forming part of any building, building component, structure or office space owned, leased or used by the Company, (iii) except as provided in SCHEDULE 4.22, no polychlorinated biphenyls are used or stored on any property owned, leased or used by the Company, and (iv) all locations currently or formerly owned, leased or used by the Company (or any former affiliate of the Company) at which any Material generated, used, owned or controlled by the Company or any former Affiliate of the Company (or by any previous owner or

operator) may have been Released into the Environment are identified and described in SCHEDULE 4.22.

(f) The Company has provided to the Purchaser all environmental audits, assessments, inspections, or occupational health studies of which the Company has Knowledge relating to the properties and assets used in the business or the conduct of the business undertaken by, or at the direction of, any Governmental Body, the Company, any predecessor-in-interest or any prior potential purchaser.

4.23 BOOKS AND RECORDS. The minute books and other similar records of the Company contain true and complete records of all actions taken at any meetings of the stockholders of the Company, Board of Directors or any committee thereof and of all written consents executed in lieu of the holding of any such meeting, except for those occurring before March 26, 1976.

4.24 DISCLOSURE. No representation or warranty of the Seller or the Company contained in this Agreement and no written statement contained in any Schedule, Exhibit or certificate, instrument and other writings furnished or delivered or to be furnished or delivered by the Company or the Seller, or any Affiliate or Representative of the Company or the Seller pursuant hereto or in connection with the Acquisition contains any untrue statement of material fact or omits to state any material fact necessary to make the statements contained therein, in the light of the circumstances in which they were made, not misleading.

4.25 SCHEDULE IV. SCHEDULE IV presents fairly in all material respects the calculation of the Interim Elections Amount as of March 31, 1998.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller as follows:

5.1 ORGANIZATION OF THE PURCHASER. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all corporate power and authority to own or lease its properties and to carry on its business as presently conducted.

5.2 AUTHORIZATION; NO CONFLICT.

(a) This Agreement and the other Acquisition Documents to which the Purchaser is a party (the "PURCHASER CLOSING DOCUMENTS") have been duly executed and delivered by the Purchaser and constitute the legal, valid, and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, in each case except as

enforcement may be limited by equitable principles limiting the right to obtain specific performance or other equitable remedies, whether raised in a Proceeding at law or in equity, or by applicable bankruptcy or insolvency laws and related decisions affecting creditors' rights generally. The Purchaser has all requisite power and authority to execute and deliver this Agreement and the Purchaser Closing Documents and to perform its obligations under this Agreement and the Purchaser Closing Documents.

(b) Except as set forth in SCHEDULE 5.2, neither the execution and delivery of this Agreement and the Purchaser Closing Documents nor the consummation or performance of the Acquisition will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with or result in a violation of (A) any provision of the Organizational Documents of the Purchaser or (B) any resolution adopted by the board of directors or the shareholders of the Purchaser;

(ii) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to enjoin, the Acquisition or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Purchaser or any of the assets owned or used by the Purchaser, may be subject; or

(iii) contravene, conflict with or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any Contract to which the Purchaser is a party or by which the Purchaser may be bound;

except in the case of each of clauses (ii) and (iii) above, for such contraventions, conflicts, violations or breaches which, individually and in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Purchaser.

Except as set forth in SCHEDULE 5.2 and pursuant to any provision of the HSR Act, the Purchaser is not, or will not be, required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of the Acquisition.

5.3 PROCEEDINGS. There is no pending Proceeding that has been commenced against the Purchaser and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise impeding, the Acquisition. To the Purchaser's Knowledge, no such Proceeding has been threatened.

5.4 INVESTMENT. The Purchaser is acquiring the Shares for its own

account for investment, without a view to their distribution.

5.5 BROKERS OR FINDERS. The Purchaser and its officers and agents have not retained any broker or finder in connection with this Agreement or the Acquisition so as to give rise to any valid claim for any brokerage or finder's commission, fee or similar compensation and the Purchaser will indemnify and hold the Seller and the Company harmless from any such payment alleged to be due by or through the Purchaser as a result of the action of the Purchaser or its officers or agents.

ARTICLE VI

ACTIONS OF THE SELLER, THE COMPANY AND THE PURCHASER

BEFORE AND AFTER THE CLOSING DATE

Each of the Seller, the Company and the Purchaser covenant and agree with each other as follows:

6.1 ACCESS AND INVESTIGATION. Between the date of this Agreement and the Closing, the Seller and the Company will (a) afford the Purchaser and its Representatives reasonable access, with prior notice to the Seller and the Company, to the Company's personnel, properties, Contracts, books and records and other documents and data, (b) furnish the Purchaser with copies of all such Contracts, books and records and other existing documents and data as it may reasonably request and (c) furnish the Purchaser with such additional financial, operating and other data and information as it may reasonably request; PROVIDED, HOWEVER, that (i) any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operation of the Company; (ii) contacts with any customer, agent, sales representative organization or supplier of the Company shall be made upon a schedule mutually agreed upon by the Purchaser and the Seller; and (iii) no contact shall be made with any employee of the

Company (other than Patricia Fallon, Kris Koch and Pamela Faries) without the prior approval of the Seller, which approval shall not be unreasonably withheld, conditioned or delayed.

6.2 CONDUCT OF BUSINESS.

(a) From the date hereof to the Closing, the Company will (i) conduct its operations and business only in the Ordinary Course of Business, (ii) maintain and keep its properties and equipment in good repair, working order and condition, except for ordinary wear and tear, (iii) keep in full force and effect all insurance now maintained, (iv) perform in all material respects all of its obligations under all Material Contracts and other commitments applicable to its business, (v) use commercially reasonable efforts to maintain and preserve all material Intellectual Property, (vi)

use commercially reasonable efforts to maintain and preserve its business organization intact, retain its present employees so that they may be available after the Closing, and maintain its relationships with suppliers and customers so that they may be preserved after the Closing, (vii) maintain its books of account and records in the usual and regular manner, (viii) comply in all material respects with all laws and regulations applicable to it and to the conduct of its business, and (ix) promptly advise the Purchaser in writing of any event or development that has, or could reasonably be expected to have, a Material Adverse Effect, including without limitation any damage, destruction or loss of any property or assets (whether or not covered by insurance) and any breach, default, termination, or nay notice thereof, under any Material Contract.

(b) In addition, from and after the date hereof, the Company shall not, without the prior written consent of the Purchaser, (i) issue, sell or deliver, or agree to issue, sell or deliver any additional shares of its capital stock or any options, warrants, puts, calls or rights to acquire any such capital stock, or securities convertible into or exchangeable for such capital stock, (ii) mortgage, pledge or subject to any Encumbrance, its assets, tangible or intangible, other than in the Ordinary Course of Business, (iii) dispose of any assets or properties having a fair market value, individually or in the aggregate, in excess of $50,000, or enter into any agreement or other arrangements for any such disposition, other than in the Ordinary Course of Business, (iv) declare, make, pay or set apart any sum for any dividend or other distribution to its stockholders or purchase or redeem any shares of its capital stock or any option, warrant, put, call or right to purchase any of its capital stock, or reclassify its capital stock, (v) increase the wages, salaries, compensation, pension or other benefits payable to any employee or grant any severance or termination pay (except such as shall have occurred in the Ordinary Course of Business including normal period performance review and related compensation and benefit increases), or enter into any employment agreement with any officer or salaried employee which is not terminable by the employer, without cause and without penalty, upon notice of thirty (30) days or less, (vi) forgive or cancel any debts or claims or waive, amend, cancel or terminate any rights of material value, (vii) incur any material Liability, except in the Ordinary Course of Business, (viii) amend its Organizational Documents, (ix) merge or consolidate with or agree to merge or consolidate with, or purchase substantially all of the assets of, or otherwise acquire, any business or any business organization or division thereof or (x) amend or modify any agreement, understanding, arrangement or policy respecting indemnification of its directors or officers.

6.3 REQUIRED APPROVALS. As promptly as practicable after the date of this Agreement, each party will make all filings required by Legal Requirements to be made by it in order to consummate the Acquisition (including all filings under the HSR Act, if any). Between the date of this Agreement and the Closing,

the parties will (a) cooperate with respect to all filings that they may elect to make or may be required by Legal Requirements to make in connection with the Acquisition and (b) cooperate in obtaining all Consents identified in SCHEDULES 4.19 or 5.2 (including taking all actions reasonably requested to cause early termination of any applicable waiting period under the HSR Act).

6.4 NOTIFICATION. Between the date of this Agreement and the Closing, each party to this Agreement will promptly notify each other party hereto in writing if such party becomes aware of any fact or condition that causes or constitutes a breach of any of its representations and warranties as of the date of this Agreement, or if such party becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition; PROVIDED, HOWEVER, that such disclosure shall not be deemed to cure any breach of a representation or warranty. Should any such fact or condition require any change in the Disclosure Schedules if such Schedules were dated the date of the occurrence or discovery of any such fact or condition, the discovering party will promptly deliver to each other party a supplement to the Disclosure Schedules specifying such change; PROVIDED, HOWEVER, that such disclosure shall not be deemed to cure any breach of a representation or warranty. During the same period, each party to this Agreement will promptly notify each other party hereto of the occurrence of any breach of any covenant or agreement by such party in this ARTICLE VI or of the occurrence of any event that may make the satisfaction of the conditions in ARTICLES VII and VIII impossible or unlikely; PROVIDED, HOWEVER, that such disclosure shall not be deemed to cure any breach of a covenant or agreement or to satisfy a condition. To the extent that a party to this Agreement has knowledge of such matters, such party shall promptly notify each other party hereto of any default, the threat or commencement of any Proceeding or any development that occurs before the Closing that could in any way have a Material Adverse Effect.

6.5 NO NEGOTIATION. Unless this Agreement is earlier terminated pursuant to ARTICLE X, until the later of (i) August 31, 1998 and (ii) thirty (30) days from the date hereof, neither the Company nor the Seller nor any of their respective Affiliates or Representatives will directly or indirectly solicit, initiate or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to or consider the merits of any unsolicited inquiries or proposals from, any Person (other than the Purchaser) nor enter into any arrangement, agreement, understanding or contract relating to any transaction involving the sale of all or a substantial portion of the business or assets of the Company or any of its capital stock or any merger, consolidation, business combination or similar transaction involving the Company (each such transaction referred to herein as a "PROPOSED ACQUISITION"). The Company and the Seller will immediately notify the Purchaser if any discussions or negotiations are sought to be initiated, any inquiry or proposal is made, or any information is requested with respect to any Proposed Acquisition and notify the Purchaser of the terms of any proposal which it or its Representatives may receive in respect of any such Proposed Acquisition, including

without limitation the identity of the prospective purchaser or soliciting party. The Company and the Seller shall also provide the Purchaser with a copy of any written offer.

6.6 BEST EFFORTS. Between the date of this Agreement and the Closing, each of the parties to this Agreement will use its Best Efforts to cause the conditions in ARTICLES VII and VIII to be satisfied.

6.7 EMPLOYEE BENEFITS.

(a) The Purchaser shall (i) give each employee of the Company credit for all past service for all purposes (including for purposes of determining eligibility, vesting, computation of benefits and any applicable waiting and entitlement periods) and (ii) waive any pre-existing condition restricting benefits in connection with its employee benefit plans to the same extent as if such employees had been employees of the Purchaser during the times of their respective employment by the Company.

(b) Effective as of the Closing Date, the Company shall cease to be a participating employer in any Benefit Plans maintained by the Seller.

(c) PENSION BENEFIT PLANS. Effective as of the Closing Date, the Seller shall assume all liability and responsibility with respect to any defined benefit pension plan as defined in ERISA Section 3(35) maintained by the Seller or by the Company through the Closing Date.

6.8 TERMINATION OF SECURITY INTERESTS. The Company shall take all reasonable action necessary to terminate those certain security interests on the assets of the property that are set forth on SCHEDULE 4.15 and the status of which are identified as "In the process of being terminated."

ARTICLE VII

CONDITIONS PRECEDENT TO THE PURCHASER'S

OBLIGATION TO CLOSE

The Purchaser's obligation to pay the Consideration and to purchase the Shares and to take the other actions required to be taken by the Purchaser at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Purchaser, in whole or in part):

7.1 ACCURACY OF REPRESENTATIONS. Each of the representations and warranties of the Company and the Seller contained in this Agreement and in any Schedule attached hereto and in each other agreement, document, instrument or

certificate contemplated hereby shall, in the ease of those representations and warranties that are not qualified by materiality, be true, complete and correct in all material respects, and in the case of these representations and warranties that are qualified by materiality shall be true, complete and correct in all respects, as

of each of (i) the date of this Agreement and (ii) the Closing Date, in each case as though newly made at such time.

7.2 THE SELLER'S AND THE COMPANY'S PERFORMANCE.

(a) All of the covenants and obligations that the Seller and the Company are required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively) and each of these covenants and obligations (considered individually), must have been performed and complied with in all material respects.

(b) The Seller and the Company must have delivered each of the documents required to be delivered by the Seller and the Company, respectively, pursuant to SECTION 2.3(b) and ARTICLE III.

7.3 CONSENTS. Each of the Consents identified in SCHEDULE 4.19 must have been obtained and must be in full force and effect and must not contain any provision which, in the reasonable judgment of the Purchaser, is unreasonable.

7.4 ADDITIONAL DOCUMENTS. The Purchaser must have received such other documents as the Purchaser may reasonably request for the purpose of (i) evidencing the accuracy of any representation or warranty of the Seller and the Company, (ii) evidencing the performance by the Seller and the Company, or the compliance by the Seller and the Company with, any covenant or obligation required to be performed or complied with by the Seller and the Company, (iii) evidencing the satisfaction of any condition referred to in this ARTICLE VII or (iv) otherwise facilitating the consummation of the Acquisition.

7.5 NO PROCEEDING. Since the date of this Agreement, there must not have been commenced or threatened against the Company or against any Person affiliated with the Company, any Proceeding (a) involving any challenge to, or seeking Damages or other relief in connection with, the Acquisition or (b) that may have the effect of preventing, delaying, making illegal or otherwise interfering with the Acquisition.

7.6 NO PROHIBITION. Neither the consummation nor the performance of the Acquisition will, directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause the Purchaser to suffer any Material Adverse Effect under (a) any applicable Legal Requirement or Order, including the HSR Act and federal and state securities laws or (b) any Legal Requirement or Order that has been

rendered, published, introduced, or otherwise formally proposed by or before any Governmental Body.

7.7 HSR ACT. All applicable waiting periods (and any extensions thereof) under the HSR Act shall have expired or otherwise been terminated.

7.8 NO CLAIM REGARDING STOCK OWNERSHIP OR SALE PROCEEDS. There must not have been made or threatened by any Person any claim asserting that such Person (a) is the record holder or the beneficial owner of, or has the right to acquire or to obtain record or beneficial ownership of, any stock of, or any other voting, equity, or ownership interest in, the Company, or (b) is entitled to all or any portion of the Consideration payable for the Shares.

7.9 MATERIAL ADVERSE CHANGE. Since the date of this Agreement, there shall have been no event or condition or events or conditions, which, either individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect on the Company, and the Purchaser shall be provided with a certificate from the President of the Company to that effect at the Closing.

7.10 EMPLOYMENT AGREEMENTS. Patricia Fallon and Kris Koch shall have entered into employment agreements with the Company in the form of EXHIBIT C as of the Closing Date.

7.11 NON-COMPETITION AGREEMENT. The Seller shall have entered into a non-competition agreement in the form of EXHIBIT D as of the Closing Date.

7.12 BT COMMERCIAL CORPORATION LIENS AND OBLIGATIONS. Documentation, in form and substance reasonably satisfactory to the Purchaser, shall have been executed and delivered by (a) BT Commercial Corporation evidencing (i) the termination of all liens on the assets on the Company in favor of BT Commercial Corporation (which termination shall be effective upon the Closing of the Acquisition) and (ii) the release of the Company from all obligations listed as items 1 through 17 on SCHEDULE 4.16 and (b) U.S. Trust Company of California, N.A. (the "TRUSTEE") evidencing the release of the Company pursuant to Section 11.04 of that certain Indenture, dated as of December 16, 1997, among Parent, the Trustee and the Subsidiary Guarantors named therein.

7.13 LEASE/SUBLEASE AND NON-DISTURBANCE AND ATTORNMENT AGREEMENT. The Seller and the Company shall have executed and delivered to the Purchaser the Lease/Sublease in the form of EXHIBIT E (the "LEASE") as of the Closing Date, and the Company, the Seller and 1323 Greenwood, L.L.C., a Delaware limited liability company ("GREENWOOD"), shall have executed and delivered a Non-Disturbance Agreement in form and substance satisfactory to the Purchaser; PROVIDED, HOWEVER, that in the event the Master Lease (as defined in the Lease) has not been entered into as of the Closing Date, the Company, the Seller and Greenwood shall have agreed to a form of non-disturbance and attornment

agreement satisfactory to the Purchaser.

ARTICLE VIII

CONDITIONS PRECEDENT TO THE SELLER'S

AND THE COMPANY'S OBLIGATION TO CLOSE

The Seller's obligation to sell the Shares in exchange for the Consideration and to take the other actions required to be taken by the Seller at the Closing and the Company's obligation to take the actions required to be taken by the Company at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Seller in whole or in part):

8.1 ACCURACY OF REPRESENTATIONS.

(a) Each of the representations and warranties of the Purchaser contained in this Agreement and in any Schedule attached hereto and in each other agreement, document, instrument or certificate contemplated hereby shall, in the ease of those representations and warranties that are not qualified by materiality, be true, complete and correct in all material respects, and in the case of those representations and warranties that are qualified by materiality shall be true, complete and correct in all respects, as of each of (i) the date of this Agreement and (ii) the Closing Date, in each case as though newly made at such time.

(b) The Purchaser shall not have given any notification to the Company or the Seller pursuant to SECTION 6.4 of any fact or condition which would cause the condition precedent contained in SECTION 7.1 not to be satisfied, regardless of any waiver of such condition by the Purchaser.

8.2 THE PURCHASER'S PERFORMANCE.

(a) All of the covenants and obligations that the Purchaser is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered by the Purchaser pursuant to ARTICLE III must have been delivered.

8.3 CONSENTS. Each of the Consents identified in SCHEDULE 5.2 must have been obtained and must be in full force and effect.

8.4 ADDITIONAL DOCUMENTS. The Seller must have received such other

documents as the Seller may reasonably request for the purpose of (i) evidencing the accuracy of any of the Purchaser's representations and warranties, (ii) evidencing the performance by the Purchaser of, or the compliance by the Purchaser with, any covenant or obligation required to be performed or complied with by the Purchaser, (iii) evidencing the satisfaction of any condition referred to in this ARTICLE VIII or (iv) otherwise facilitating the consummation or performance of the Acquisition.

8.5 NO PROHIBITION. Neither the consummation nor the performance of the Acquisition will, directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause the Purchaser to suffer any Material Adverse Effect under, (a) any applicable Legal Requirement or Order, including the HSR Act and federal and state securities laws or (b) any Legal Requirement or Order that has been rendered, published, introduced, or otherwise formally proposed by or before any Governmental Body.

8.6 HSR ACT. All applicable waiting periods (and any extensions thereof) under the HSR Act shall have expired or otherwise been terminated.

ARTICLE IX

INDEMNIFICATION; REMEDIES

9.1 INDEMNIFICATION OF THE PURCHASER.

(a) Subject to the terms, conditions and limitations hereinafter provided in this SECTION 9.1, the Seller hereby agrees to indemnify, defend and hold harmless the Purchaser from and against any Loss, as hereinafter defined, and agree to pay to the Purchaser as provided herein the amount of any Loss. As used herein, "LOSS" means any and all losses, Damages, Liabilities, claims, Proceedings, penalties, fines and all other expenses, including without limitation the costs of defense thereof (including reasonable attorneys' fees and disbursements), suffered or incurred by the Purchaser or any of its respective shareholders, officers, directors or agents by reason of or arising out of (i) the breach of any representation or warranty of the Company or the Seller set forth in ARTICLE IV (other than the warranty set forth in SECTIONS 4.24 and 4.25, which shall not survive the Closing), such breach being determined for purposes of this ARTICLE IX without regard to any materiality or Material Adverse Effect qualification set forth in such warranties (as if such qualifications were not part of such warranties), and with respect to the warranty set forth in SECTION 4.22, without regard to the matters set forth on SCHEDULE 4.22 (as if such schedule were not part of this Agreement), or (ii) the breach of any covenant or agreement made by the Seller or the Company in this Agreement, but subject to each and all of the terms, conditions and limitations set forth in this ARTICLE IX.

(b) The obligation of the Seller to indemnify the Purchaser pursuant to this SECTION 9.1 shall be limited in each of the following respects:

(1) Anything in this Agreement to the contrary notwithstanding, except as set forth in SECTION 9.7, the Purchaser may not recover Damages from the Seller until, and only to the extent that, the aggregate amount of Damages relating to all Claims for which the Purchaser is seeking indemnification exceeds One Hundred Seventy-Five Thousand Dollars ($175,000) (the "DEDUCTIBLE AMOUNT"); PROVIDED, HOWEVER, that such Deductible Amount shall not apply to Damages incurred as a result of a breach by the Seller of SECTION 4.2. The maximum amount of aggregate Damages for which the Seller shall be liable pursuant to this ARTICLE IX other than based upon the breach of a representation or warranty of the Seller or the Company contained in SECTIONS 4.1, 4.2, 4.12, and 4.13 shall be Two Million Dollars ($2,000,000) (the "LIABILITY CAP"); PROVIDED, HOWEVER, that the Liability Cap shall be increased by an additional One Million Dollars ($1,000,000) for Damages based upon breaches of the representations and warranties contained in SECTION 4.22.

(2) Unless written notice specifying the warranty or covenant or agreement alleged to have been breached by reference to a specific subsection or subsections of this Agreement and/or the relevant Schedule, certificate, document, instrument or other agreement, together with a description in reasonable detail of the nature and basis of the asserted breach (a "NOTICE OF CLAIM") is made by the Purchaser

and received by the Seller in accordance with the provisions of SECTION 11.2 prior to the first anniversary of the Closing Date, (or, with respect to breaches of (i) SECTION 4.22, which shall be received prior to the second anniversary of the Closing Date, (ii) SECTION 4.12, which shall be received prior to ninety (90) days following the expiration of the applicable statute of limitations relating to such tax matters, or (iii) SECTION 4.2, which may be received at any time after the Closing Date), the Purchaser shall not have a Claim for any Loss resulting from a breach of such warranty; PROVIDED, HOWEVER, that in no event shall the Purchaser have a Claim for any Loss resulting from a breach of SECTION 4.24.

(c) Notwithstanding anything to the contrary herein, no limitation or condition of liability shall apply with respect to any liability under any Benefit Plan retained by the Seller or any Benefit Plan pursuant to SECTION 6.7(c).

(d) The Seller agrees that following the Closing Date, the Seller shall have no claim for contribution from the Company for any breach of this Agreement by the Company prior to the Closing Date.

9.2 INDEMNIFICATION OF THE SELLER. The Purchaser shall indemnify, defend, and hold the Seller harmless from and against any Claims, expenses, Damages, Liabilities, Losses, and expenses (including reasonable attorneys' fees and disbursements) by reason of, or arising out of the Breach of any representation, warranty or covenant of the Purchaser contained in this Agreement, or the conduct of the business and operations of the Company after the Closing Date; PROVIDED, that a Notice of Claim with respect to or arising out of the Breach of any representation or warranty of the Purchaser must be delivered by the Seller and received by the Purchaser prior to the first anniversary of the Closing Date.

9.3 NOTICE OF CLAIM; RIGHT TO DEFEND. If a third party commences any Proceeding or asserts any claim, demand or assessment (hereinafter individually or collectively referred to as a "THIRD PARTY CLAIM") in respect of which the Purchaser or Seller (the "INDEMNITEE") claims or proposes to claim a Loss, the other party (the "INDEMNITOR") shall be given prompt notice thereof by the Indemnitee. Thereafter, the Indemnitee shall furnish to the Indemnitor, in reasonable detail, such information as it may have with respect to such claim, or Proceeding, including copies of any summons, complaint, or other pleading which many have been served or any written claim, demand, invoice, billing or other document evidencing or asserting the same. The Indemnitee shall designate in writing all information and documents which it furnishes to the Indemnitor pursuant to this SECTION 9.3 as being with respect to a claim or Proceeding under this SECTION 9.3. The Indemnitor shall have the right, subject to the provisions of this SECTION 9.3, to assume control of the defense, compromise or settlement thereof if (a) the amount of the Third Party Claim does not exceed the then remaining amount under the Liability Cap, (b) the Indemnitor acknowledges the intention of the Indemnitor to so defend by written notice to the Indemnitee within twenty (20) days after receipt of the notice of the Third Party Claim and (c) the claim involves only monetary damages. The Indemnitee shall be entitled to defend such claim until it receives such notice. If the Indemnitor is entitled to assume such defense and control and elect to do so, (i) the defense against the Third Party Claim shall be conducted by the Indemnitor, at the expense of the Indemnitor, with counsel selected by the Indemnitor and reasonably satisfactory to the Indemnitee, (ii) the Indemnitee shall be entitled

to participate in (but not control) such defense with its counsel and at its expense, (iii) the Indemnitor shall keep the Indemnitee fully advised as to the conduct of the defense if the Indemnitee has chosen not to participate in the defense, and (iv) no compromise or settlement shall be agreed to or made without the Indemnitee's written consent, which shall not be unreasonably withheld, delayed or conditioned. If the Indemnitor elects to assume control of the defense, but fails to defend against the Third Party Claim as aforesaid, the Indemnitee may assume control of the defense and settle the Third Party Claim at the Indemnitor's expense (up to the then remaining amount under the Liability Cap).

If the Indemnitor does not elect, or does not have the right, to assume control of the defense, (x) the Indemnitee shall conduct the defense, with counsel selected by the Indemnitee and reasonably satisfactory to the Indemnitor, (y) the Indemnitor shall be entitled to participate in (but not control) such defense at its expense, and (z) the Indemnitee shall keep the Indemnitor fully advised as to its conduct of such defense, if the Indemnitor has chosen not to participate in the defense. The Indemnitee shall be free to compromise or settle such claim unless the Indemnitor within ten (10) days after notice of the proposed compromise or settlement admits in writing that the full amount of such claim, if adversely determined, shall constitute a Loss for which indemnity shall be due to the Indemnitee hereunder. If such admission is made, no compromise shall be agreed to or made without the written consent of the Indemnitor, which consent shall not be unreasonably withheld.

9.4 LIMITATION ON INDEMNITY.

(a) The Purchaser shall have the right to make a Claim pursuant to SECTION 9.1(a) and 9.1(b) prior to the time at which the Deductible Amount that is applicable to such Claim has been surpassed for the purpose of asserting such Claim within the relevant survival period of the applicable indemnification obligation and any such Claim made within such period shall, to the extent such Deductible Amount ultimately is met, survives until its final resolution.

(b) Neither (i) the termination of the representations or warranties contained herein, nor (ii) the expiration of the indemnification obligations described above, will affect the rights of a Person in respect of any Claim made by such Person received by the indemnifying party prior to the expiration of the applicable survival period provided herein.

9.5 INSURANCE.

(a) In determining the amount for which any party is entitled to indemnification under this Agreement, the gross amount thereof will be reduced by any proceeds actually realized by such party under insurance policies; PROVIDED, HOWEVER, that such party shall use commercially reasonable efforts to make and pursue claims under such party's insurance policies, it being understood, however, that such party shall have no obligation to commence litigation or to take any other extraordinary measures in connection with such claims. If such party does not actually receive such insurance proceeds until after being indemnified, such party will reimburse the indemnifying party for amounts paid to or on behalf of such indemnified party to the extent of the insurance

proceeds so received. In all cases, the timing of the receipt or realization of the insurance proceeds shall be taken into account in

determining the amount of reduction of such Losses, Damages, Liabilities or Claims; and

(b) If both the indemnifying party and the indemnified party have insurance coverage respecting a particular Loss, Damage, Liability or Claim for which indemnification is provided pursuant to this ARTICLE IX, the Seller and the Purchaser agree that the insurance coverage of the indemnifying party will be called upon before the insurance coverage of the indemnified party is called upon.

9.6 SOLE AND EXCLUSIVE REMEDY. Except as set forth in SECTION 9.5 above, the provisions for indemnification as provided in this ARTICLE IX shall constitute the Purchaser's sole and exclusive remedy for any Losses sustained by the Purchaser or any of its shareholders, officers, directors or agents and shall be limited as provided in this ARTICLE IX.

9.7 TAX MATTERS.

(a) TAX INDEMNIFICATION. The Seller shall be responsible for and pay and shall indemnify, save and hold harmless the Purchaser and the Company (and each of their respective Affiliates, successors and assigns) from and against (i) all Taxes imposed on the Company, or for which the Company is liable, with respect to (A) all periods ending on or prior to the Closing Date, (B) any period beginning before the Closing Date and ending after the Closing Date, but only with respect to the portion of such period up to and including the Closing Date (such portion, a "PRE-CLOSING PARTIAL PERIOD"), or (C) all Taxes for which the Company may be liable under Treas. Reg. Section 1.1502-6 or analogous provision under state or local law by reason of the Company being a member of a consolidated, combined or unitary group of corporations; and (ii) any costs or expenses with respect to the Taxes indemnified hereunder; PROVIDED, HOWEVER, that the Seller shall not have any such indemnification obligations with respect to such Taxes, costs and expenses to the extent (x) of any reserves for Taxes on the Closing Balance Sheet and (y) such amounts are otherwise taken into account in the post-Closing adjustment pursuant to SECTION 2.3 and SECTION 2.4 hereof. For purposes of this SECTION 9.7(a), Taxes shall include the amount of Taxes which would have been paid but for the application of any credit or net operating or capital loss deduction attributable to any period (or portion thereof) ending after the Closing Date, but shall not include amounts which would have been paid but for the application of any credit or net operating or capital loss deductions attributable to any period (or portion thereof) ending on or before the Closing Date.

(b) STRADDLE PERIODS. Any Taxes (other than federal and state income Taxes in the event that a short period Tax Return is filed with respect to such Taxes) with respect to the Company that relate to a Tax period which begins on or before the Closing Date and ends after the Closing Date (a "STRADDLE PERIOD") shall be apportioned between the Pre-Closing Partial Period and the portion of such Straddle Period beginning on the day after the Closing Date (the "POST-CLOSING PARTIAL PERIOD"), (i) in the case of real or personal property Taxes (and any other ad valorem Taxes on a per

diem basis) and, (ii) in the case of other Taxes, on an "INTERIM CLOSING OF THE BOOKS" method. The Purchaser

shall cause the Company to file any Tax Returns for any Straddle Period, and the Purchaser shall pay all Taxes shown as due on any such Tax Returns. With respect to any such Tax Returns for any Straddle Period required to be filed by the Company and not required to be filed prior to the Closing Date, the Company shall provide the Seller with copies of any such completed Tax Return at least thirty (30) business days prior to the due date for filing of such Tax Return and the Seller shall have the right to review such Tax Return prior to the filing of such Tax Return. The Seller and the Purchaser agree to consult and resolve in good faith any issues arising as a result of such review. The Seller shall pay the Purchaser all such Taxes apportioned to the Pre-Closing Partial Period (to the extent not paid by the Company prior to the Closing Date or reflected in the Post-Closing adjustment under SECTIONS 2.3 and 2.4) due pursuant to the filing of any such Tax Returns under the provisions of this SECTION 9.7(b) within fifteen (15) business days of receipt of notice of such filing by the Purchaser, which notice shall set forth in reasonable detail the calculations regarding the Seller's share of such Taxes.

(c) REFUNDS. The Purchaser agrees to assign and promptly remit (and to cause the Company to assign and promptly remit) all refunds (including interest thereon) net of any Tax effect to the Purchaser or the Company, received by the Purchaser or the Company of any Taxes for which the Seller has indemnified the Purchaser or the Company hereunder; PROVIDED, HOWEVER, that the Purchaser shall be entitled to the portion of any refund reflected in the Post-Closing adjustment under SECTIONS 2.3 and 2.4 or resulting from a carryback of a net operating loss, net capital loss, Tax credit or similar item sustained or arising in any period ending after the Closing Date or in any Post-Closing Partial Period.

(d) TAX RETURNS FOR PRE-CLOSING PERIODS. The Seller shall prepare or cause to be prepared and shall include in its consolidated federal income Tax Return and all other consolidated, combined or unitary income Tax Returns that include the Company and timely file or cause to be filed, all income Tax Returns of the Company for all taxable periods of the Company ending on or prior to the Closing Date and the Seller shall pay or cause to be paid all Taxes due with respect to such income Tax Returns. All such income Tax Returns shall be prepared in a manner consistent with past practice. The Company shall provide the Seller with all records and information necessary to prepare such income Tax Returns. With respect to any such income Tax Returns required to be filed by the Seller and not required to be filed before the Closing Date, the Seller shall provide the Company with copies of all information pertaining to the Company used in the preparation of the completed income Tax Returns at least fifteen (15) business days prior to the due date for filing of such income Tax Returns.

The Seller and the Purchaser agree to consult and resolve in good faith any issues arising as a result of the Company's review of such information.

(e) TERMINATION OF TAX SHARING AGREEMENT. Except as otherwise provided in this Agreement, all tax sharing agreements, arrangements, policies and guidelines, formal or informal, express or implied, that may exist between the Company and any other person and any obligations thereunder shall terminate as of the Closing Date and the Company shall have no liability thereunder for any and all amounts due in respect of periods on or before the Closing Date.

(f) SECTION 338 MATTERS. The Seller and the Purchaser agree that they shall jointly make or cause to be made the election under IRC Section 338(h)(10) and Treasury Regulations Section 1.338(h)(10)-1(d) and any corresponding election under state, local or foreign tax law (the "ELECTIONS") with respect to the purchase and sale of the stock of the Company. Seller and Purchaser agree that MADSP (as such term is used in Treasury Regulations Section 1.338(h)(10)-1(f)) for the Purchaser's purchase of the stock of the Company shall be allocated among the assets in accordance with the provisions of that section. SCHEDULE 9.7(f) attached hereto sets forth the Seller's and the Purchaser's preliminary estimate of such allocation as of the Closing Date. The final allocation as of the Closing Date (the "ASSET ALLOCATION") shall be agreed to by the Seller and the Purchaser as soon as practicable after the Closing Date. If the Seller and the Purchaser are unable to agree on the Asset Allocation, such allocation shall be determined on the basis of an appraisal prepared by the Independent Accountant. The Purchaser shall prepare IRS Form 8023 (and any required attachments) and any similar state, local or foreign tax forms (and any required attachments) required to make the Elections (collectively, the "ELECTION FORMS" and each singularly, the "ELECTION FORM") and shall submit the Election Forms to the Seller no later than seventy-five (75) days prior to the date the Election Forms are required to be filed. In the event of any dispute with regard to the content of any Election Form (including any dispute concerning the Asset Allocation), the parties shall diligently attempt to resolve such dispute. If they have not done so by the thirtieth (30th) day prior to the date the Election Form in question is required to be filed, the dispute shall be resolved by the Independent Accountant at least ten (10) days prior to the time the Election Form is required to be filed. The Seller shall promptly cause the Election Forms to be duly executed by the appropriate authorized person and shall return such Election Forms to the Purchaser. The Purchaser shall duly and timely file the Election Forms in accordance with applicable tax laws and the terms of this Agreement. The Seller and the Purchaser shall take or cause to be taken any other actions that are necessary for making or perfecting the Elections. The Purchaser shall provide the Seller with a copy of the Election Forms as filed. The Seller and the Purchaser shall

report all transactions pursuant to this Agreement in a manner that is consistent with the Elections and shall take no position contrary thereto unless required to do so pursuant to a "determination" within the meaning of IRC Section 1313 or an analogous provision under state, local or foreign tax law. The Purchaser and the Seller shall each pay one-half of the cost of any fees and expenses of the Independent Accountant. The parties agree that a violation of the provisions of this SECTION 9.7(f) is a proper subject of injunctive relief.

(g) TAX EFFECT OF PAYMENTS. The Purchaser and the Seller agree that any indemnification payments made pursuant to this SECTION 9.7 or ARTICLE IX shall be treated for tax purposes as an adjustment to the Consideration unless otherwise required by applicable law.

ARTICLE X

TERMINATION

10.1 TERMINATION EVENTS.

This Agreement may, by notice given prior to or at the Closing, be terminated:

(a) by the Seller, on the one hand, or by the Purchaser, on the other hand, if a breach of any provision of this Agreement has been committed by the other party or its Affiliates and such breach has not been expressly waived in writing;

(b) (i) by the Purchaser if any of the conditions in ARTICLE VII have not been satisfied as of the Closing or if satisfaction of such a condition is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and the Purchaser has not expressly waived such condition in writing on or before the Closing; or (ii) by the Seller, if any of the conditions in ARTICLE VIII has not been satisfied as of the Closing or if satisfaction of such a condition is or becomes impossible (other than through the failure of the Seller or the Company to comply with its obligations under this Agreement) and the Seller has not expressly waived such condition in writing on or before the Closing;

(c) by mutual consent of the Purchaser and the Seller; or

(d) by either the Purchaser or the Seller if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before August 31, 1998 (the "CLOSING DATE"), or such later date as the parties may agree upon.

10.2 EFFECT OF TERMINATION. Each party's right of termination under SECTION 10.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to SECTION 10.1, all further obligations of the parties under this Agreement will terminate, except that the obligations in SECTION 9.1 will survive; PROVIDED, HOWEVER, that if this Agreement is terminated by a party because of the breach of this Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE XI

MISCELLANEOUS

11.1 ASSIGNMENT. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any party without the prior written consent of the other party; PROVIDED, HOWEVER, that the Purchaser may assign its rights but not its obligations hereunder to an Affiliate of the Purchaser. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.2 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by a recognized overnight delivery service (E.G., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to the Company before the Closing Date, or to the Seller, addressed to:

Perry Judd's Incorporated
575 West Madison
Waterloo, WI 53594
Attn: Mr. Craig A. Hutchison
Telephone: (920) 478-1701
Telecopy: (920) 478-1511

with a copy to:

The Milhous Group
1160 Nicole Court
Glendora, CA 91740
Attn: Mr. Thomas V. Bressan
Telephone: (909) 599-2020
Telecopy: (909) 599-8391

and to:

Brobeck, Phleger & Harrison LLP
550 South Hope Street
Los Angeles, CA 90071-2064
Attn: Kenneth R. Bender, Esq.
Telephone: (213) 489-4060
Telecopy: (213) 745-3345

If to the Purchaser or the Company after the Closing Date, addressed to:

The Mack Printing Group
1991 Northampton Street
Easton, PA 18042-3189
Attn: Mr. John C. Coconougher
Telephone: (610) 250-7235
Telecopy: (610) 250-7285

With a copy to:

Dechert Price & Rhoads
4300 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19143
Attn: Christopher G. Karras, Esq.
Telephone: (215) 994-4000
Telecopy: (215) 994-2222

or to such other place and with such other copies as any party may designate as to itself by written notice to the others.

11.3 CHOICE OF LAW. This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York (without giving effect to its choice of law principles), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction under which the respective entity derives its powers shall govern.

11.4 ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Agreement, together with all exhibits and schedules hereto (including the Disclosure Schedule and the other agreements referred to herein) constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

11.5 MULTIPLE COUNTERPARTS. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.6 EXPENSES. Each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution and performance of this Agreement and

the Acquisition. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by the other party.

11.7 INVALIDITY. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

11.8 TITLES. The titles, captions or headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

11.9 PUBLICITY. Except as required by law, none of the Purchaser, the Company nor the Seller shall issue any press release or make any public statement regarding this Agreement or the Acquisition, without prior written approval of the other parties; PROVIDED, HOWEVER, that in the case of announcements, statements, acknowledgments or revelations which any party is required by law to make, issue or release, the making, issuing or releasing of any such announcement, statement, acknowledgment or revelation by the party so required to do so by law shall not constitute a breach of this Agreement if such

party shall have given, to the extent reasonably possible, not less than two (2) calendar days prior notice to the other party, and shall have attempted, to the extent reasonably possible, to clear such announcement, statement, acknowledgment or revelation with the other party. Each party hereto agrees that it will not unreasonably withhold any such consent or clearance. The Purchaser may, with the consent of the Seller, issue or make an appropriate press release or public announcement after the Closing.

11.10 CONFIDENTIAL INFORMATION.

(a) NO DISCLOSURE. Each party hereto acknowledges that the execution and delivery of the Confidentiality Agreement binds the parties hereto with its terms and shall survive the termination of any discussions or negotiations which are the subject of this Agreement. Additionally, the parties acknowledge that this Agreement and the Acquisition described herein are of a confidential nature and shall not be disclosed except to Representatives and Affiliates or as required by law, until such time as the parties make a public announcement regarding the Acquisition as provided in SECTION 11.9; PROVIDED, HOWEVER, that the Purchaser may make such disclosure to lenders, potential lenders, investors and potential investors in the Purchaser or its Affiliates, who shall be deemed to be Representatives of the Purchaser for purposes of this SECTION 11.10.

(b) PRESERVATION OF CONFIDENTIALITY. In connection with the negotiation of this Agreement, the preparation for the consummation of the Acquisition, and the performance of obligations hereunder, (i) the Purchaser acknowledges that it will have access to confidential and proprietary information relating to the Company and the Seller and the Company and (ii) the Seller acknowledge that they will have access to confidential information relating to the Purchaser and its Affiliates, in each case, including technical, manufacturing or marketing information, ideas, methods,

developments, inventions, improvements, business plans, trade secrets, scientific or statistical data, diagrams, drawings, specifications or other proprietary information relating thereto, together with all analyses, compilations, studies or other documents, records or data prepared by the Seller, the Company or the Purchaser, as the case may be, or their respective Representatives or Affiliates, which contain or otherwise reflect or are generated from such information ("CONFIDENTIAL INFORMATION"). The term "CONFIDENTIAL INFORMATION" does not include information received by one party in connection with the Acquisition which (i) is or becomes generally available to the public other than as a result of a disclosure by such party or its Representatives, (ii) was within such party's possession prior to its being furnished to such party by or on behalf of the other party in connection with the Acquisition, provided that the source of such information was not known by such party to be bound by a

confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other party or any other Person with respect to such information or (iii) becomes available to such party on a non-confidential basis from a source other than the other party or any of their respective Representatives, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the other party or any other Person with respect to such information.

(c) Each party shall treat all Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information, except to its Representatives and Affiliates who need to know such Confidential Information in connection with the Acquisition. Each party shall use all reasonable efforts to cause its Representatives to treat all such Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information. Each party shall be responsible for any breach of this Agreement by any of its Representatives. If, however, Confidential Information is disclosed, the party responsible for such disclosure shall immediately notify the other party in writing and take all reasonable steps required to prevent further disclosure.

(d) Until the Closing or the termination of this Agreement, all Confidential Information shall remain the property of the party who originally possessed such information. In the event of the termination of this Agreement for any reason whatsoever, each party shall, and shall cause its Representatives to, return to the other party all Confidential Information (including all copies, summaries and extracts thereof) furnished to such party by the other party in connection with the Acquisition.

(i) If one party or any of its Representatives or Affiliates is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoena, civil investigative demand or other similar process) or is required by operation of law to disclose any Confidential Information, such party shall provide the other party with prompt written notice of such request or requirement, which notice shall, if practicable, be at least forty-eight (48) hours prior to making such disclosure, so that the other party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or other remedy or the receipt of such a waiver, such party or any of its Representatives are nonetheless, in the opinion of counsel, legally compelled

to disclose Confidential Information, then such party may disclose that portion of the Confidential Information which such counsel advises is

legally required to be disclosed, provided that such party uses its reasonable efforts to preserve the confidentiality of the Confidential Information, whereupon such disclosure shall not constitute a breach of this Agreement.

11.11 BURDEN AND BENEFIT. This Agreement shall be binding upon and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns. There are no third party beneficiaries of this Agreement; PROVIDED, HOWEVER, that any Person that is not a party to this Agreement but, by the terms of SECTION 9.2, is entitled to indemnification, shall be considered a third party beneficiary of this Agreement, with full rights of enforcement as though such Person was a signatory to this Agreement.

11.12 SERVICE OF PROCESS; CONSENT TO JURISDICTION.

(a) SERVICE OF PROCESS. Each of the parties hereto irrevocably consents to the service of any process, pleading, notices or other papers by the mailing of copies thereof by registered, certified or first class mail, postage prepaid, to such party at such party's address set forth herein, or by any other method provided or permitted under New York law.

(b) CONSENT AND JURISDICTION. Each party hereto irrevocably and unconditionally (i) agrees that any Proceeding arising out of this Agreement may be brought in the United States District Court for the Southern District of New York or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the County of New York, New York; (ii) consents to the jurisdiction of any such court in any such Proceeding; and (iii) waives any objection which such party may have to the laying of venue of any such Proceeding in any such court.

11.13 ATTORNEYS' FEES. If any party to this Agreement brings an action to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including without limitation reasonable attorneys' fees, incurred in connection with such action, including any appeal of such action.

11.14 REPRESENTATION BY COUNSEL. Each party hereto represents and agrees with each other that it has been represented by or had the opportunity to be represented by, independent counsel of its own choosing, and that it has had the full right and opportunity to consult with its respective attorney(s), that to the extent, if any, that it desired, it availed itself of this right and opportunity, that it or its authorized officers (as the case may be) have carefully read and fully understand this Agreement in its entirety and have had it fully explained to them by such party's respective counsel, that each is fully aware of the contents thereof and its meaning, intent and legal effect, and that it or its authorized officer (as the case may be) is competent to execute this Agreement and has executed this Agreement free from coercion, duress or undue influence.

11.15 LIMITATION OF LIABILITY. Notwithstanding anything to the contrary in this Agreement, in no event shall any party hereto be liable for any incidental or consequential Damages occasioned by any failure to perform or the breach of any obligation under this Agreement.

11.16 ADDITIONAL SURVIVAL. In addition to the survival of representations and warranties and other provisions referenced in SECTION 10.2 of this Agreement, which shall survive pursuant to the terms of such Section, the obligations of the Seller and the Purchaser contained in ARTICLE II and ARTICLE IX of this Agreement shall survive the Closing Date indefinitely.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Stock Purchase Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first above written.

THE PURCHASER:

MACK PRINTING COMPANY

By: /s/ JOHN COCONOUGHER

Name: John Coconougher

Title: President

THE SELLER:

PERRY JUDD'S INCORPORATED

By: /s/ THOMAS BRESSAN

Name: Thomas V. Bressan

Title: Secretary

THE COMPANY:

PORT CITY PRESS, INC.

By: /s/ THOMAS BRESSAN

Name: Thomas V. Bressan

Title: Secretary

GUARANTEE:

The undersigned hereby represents and warrants that (i) it is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, (ii) it has all requisite corporate power and corporate authority to execute, deliver and perform the following guarantee and (iii) the following guarantee constitutes the valid and binding obligation of the undersigned, enforceable against the undersigned in accordance with its terms. In accordance with and subject to the terms and limitations set forth in this Agreement, and subject to any claims or defenses available to the Seller, the undersigned hereby unconditionally and irrevocably guarantees and agrees to act as surety for (i) the full and punctual payment of all monetary obligations of the Seller under this Agreement and (ii) the performance by the Seller of all of its covenants, liabilities and obligations under this Agreement (including without limitation its indemnification obligations under ARTICLE IX). The foregoing constitutes a guarantee of payment and performance when due (and not a guarantee of collection).

PERRY JUDD'S HOLDINGS, INC.

By: /s/ THOMAS BRESSAN

Name: Thomas V. Bressan

Title: Secretary

AMENDMENT NUMBER ONE TO STOCK PURCHASE AGREEMENT

This Amendment (this "AMENDMENT") is entered into as of this 28th day of August, 1998, by and among Mack Printing Company (doing business as the Mack Printing Group), a Pennsylvania corporation (the "PURCHASER"), Perry Judd's Incorporated, a Delaware corporation formerly known as Perry Graphic Communications, Inc. (the "SELLER"), and Port City Press, Inc., a Maryland corporation (the "COMPANY"), and constitutes an amendment to that certain Stock Purchase Agreement (the "STOCK PURCHASE AGREEMENT"), dated as of July 31, 1998, by and among the Purchaser, the Seller and the Company. Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Stock Purchase Agreement, as amended hereby.

W I T N E S S E T H

WHEREAS, the parties desire to amend the Stock Purchase Agreement as set forth herein in accordance with the amendment provisions of Section 11.4 thereof;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree to amend the Stock Purchase Agreement, effective immediately, as follows:

1. AMENDMENT TO SECTION 1.1. The definition of "Knowledge" contained in Section 1.1 of the Stock Purchase Agreement shall be deleted in its entirety and the following substituted in lieu thereof:

> "KNOWLEDGE" shall mean, with respect to an individual making a representation to his or her "knowledge" or having "knowledge," those facts and circumstances actually known by such individual, and with respect to the Seller or the Company making a representation to its "knowledge" or having "knowledge" (other than representations made in SECTION 4.22, as to which this definition shall have no effect), those facts and circumstances actually known by the officers of such entity identified on SCHEDULE I attached hereto.

2. AMENDMENT TO SECTION 4.22. The word "Knowledge" wherever set forth in Section 4.22 of the Stock Purchase Agreement shall be replaced with the word "knowledge."

3. CONSTRUCTION. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

4. ENTIRE AMENDMENT. This Amendment, and the terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersedes any and all prior or contemporaneous amendments relating to the subject matter hereof. Except as expressly amended hereby, The Stock Purchase Agreement shall remain unchanged

and in full force and effect. This Amendment shall be deemed part of and is hereby incorporated into the Stock Purchase Agreement.

5. COUNTERPARTS. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

6. Amendments. This Amendment cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment,

change or modification shall have been agreed to by each of the parties and reduced to writing in its entirety and signed and delivered by each party.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Amendment Number One to Stock Purchase Agreement to be executed and delivered as of the date first written above.

THE PURCHASER:

THE PURCHASER:

MACK PRINTING COMPANY

By: /s/ JOHN COCONOUGHER

Name: John Coconougher

Title: President

THE SELLER:

THE SELLER:

PERRY JUDD'S INCORPORATED

By: /s/ THOMAS BRESSAN

Name: Thomas V. Bressan

Title: Secretary

THE COMPANY:

PORT CITY PRESS, INC.

By: /s/ THOMAS BRESSAN

Name: Thomas V. Bressan

Title: Secretary

LEASE

BETWEEN

1323 GREENWOOD, L.C.C.,

A DELAWARE LIMITED LIABILITY COMPANY

AS LANDLORD

AND

PERRY JUDD'S HOLDINGS, INC.,

AND

PERRY JUDD'S INCORPORATED,

EACH A DELAWARE CORPORATION,

AS TENANT

DATED AS OF AUGUST 13, 1998

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LEASE

This LEASE, dated as of August 13, 1998, between 1323 GREENWOOD, L.L.C., a Delaware limited liability company (herein, as further defined in Paragraph 34, called "LANDLORD"), having a address at 350 North Clark Street, Chicago, Illinois 60610, and PERRY JUDD'S HOLDINGS, INC., a Delaware corporation formerly known as Perry Judd's Incorporated ("HOLDINGS"), a PERRY JUDD'S INCORPORATED, a Delaware corporation ("PJI") (Holdings and PJI being referred to herein jointly and severally as "TENANT"), each having an address at 575 West Madison Street, Waterloo, Wisconsin 53594.

1. DEMISE OF PREMISES.

In consideration of the rents and covenants herein stipulated to be

paid and performed, Landlord hereby demises and lets to Tenant, and Tenant hereby lets from Landlord, for the term herein described, the premises (herein called the "PREMISES") consisting of (a) the land described in EXHIBIT 1 hereto (herein called the "LAND"); (b) all buildings, structures and other improvements constructed and to be constructed thereon (including all building equipment and fixtures owned by Landlord, but excluding personal property, trade equipment and fixtures owned by Tenant or any of its subtenants which are not necessary to the operation of the building (which is a part of the Premises), as a building (including without limitation, Tenant's printing equipment)) (herein called the "IMPROVEMENTS"); and (c) all easements, rights and appurtenances relating thereto, all upon the terms and conditions herein specified.

2. TITLE AND CONDITION.

The Premises are demised and let subject to (a) the rights of any parties in possession and the existing state of the title as of the commencement of the Term of this Lease, (b) any state of facts which an accurate survey or physical inspection thereof might show, (c) all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction, and (d) the condition of any buildings, structures and other improvements located thereon, as of the commencement of the Term of this Lease, without representation or warranty by Landlord. Tenant represents that it is in possession of the Premises, has thoroughly familiarized itself with the Premises in all respects and has examined the title to, zoning and other restrictions applicable to and the condition of the Premises and has found the same to be satisfactory to it.

3. USE OF PREMISES.

Subject to applicable Legal Requirements, Tenant may use the Premises only for printing and warehouse, distribution and all other legal, related purposes (together with office use ancillary to such purposes). Landlord shall not unreasonable withheld, condition or delay its consent to any other legal use of the Premises, so long as such other use would not (i) materially increase the risk of any Hazardous Material being released or discharged at or from the Premises or otherwise materially increase the environmental risk to the Premises (and

for purposes hereof, materiality will be determined by comparing such changed use to the Tenant's use of the Premises at the commencement of the Term), (ii) result in Tenant or Landlord being obligated to perform any remediation of any Hazardous Material, (iii) result in the rescinding or modification or any waiver or stand-still agreement with any governmental agency, or (iv) impair, in Landlord's reasonable judgment, the fair market value of the Premises, either at the time such request for a different use is made by Tenant or as of the end of the Term.

4. TERM

Subject to the terms and conditions hereof, Tenant shall have and hold the Premises for an interim term (herein called the "INTERIM TERM") commencing on August 17, 1998, and continuing until the last day of the calendar month in which the date hereof occurs (provided that if the Lease commences on the first day of calendar month there shall be no Interim Term) and a primary term (herein called the "PRIMARY TERM") commencing on the first day of the first calendar month following the date hereof (except if this Lease commences on the first day of a calendar month, the Primary Term shall commence on said first day), and continuing for twenty (20) years. Provided an Event of Default is not continuing as of the time any option is exercised, Tenant shall have the option to extend this Lease for four (4) consecutive terms of five (5) years each (herein individually called an "EXTENDED TERM" and, together with the Interim Term, if any, the Primary Term, and the Short-Term Extension Period (as defined below), if any, called the "TERM"), unless this Lease shall be sooner terminated pursuant to the terms hereof. Tenant shall exercise is option to extend the Term for an Extended Term only by giving written notice ("EXTENSION NOTICE") to Landlord within the period specified for such notice in EXHIBIT 5-2. Upon the giving of an Extension Notice, the Term shall be automatically extended for such Extended Term on the terms and conditions provided in this Lease, except that Tenant shall have no further option to extend the Term beyond said four (4) additional periods of five (5) years each. If Tenant does not give a Tenant's Interest Notice (as defined in EXHIBIT 5-2) or an Extension Notice in accordance with the provisions of this Paragraph 4 and EXHIBIT 5-2, Tenant shall thereafter have no right to extend the Term. Upon the request of Landlord or Tenant, the parities hereto will execute and exchange an instrument in recordable form setting forth any extension of the Term in accordance with this Paragraph 4. If Tenant does not exercise any such option in a timely manner, then Landlord shall have the right during the remainder of the Term to advertise the availability of the Premises for sale or reletting and to erect upon the Premises signs appropriate for the purpose of indicating such availability; provided, that such advertising and signs do not unreasonably interfere with the use of the Premises by Tenant.

5. RENT

(a) Tenant covenants to pay to Landlord, as rent for the Premises during the Interim Term and the Primary Term of this Lease, the amounts set forth on EXHIBIT 5-1 hereto, and during each Extended Term the amounts determined pursuant to EXHIBIT 5-2 hereto, and during a Short-Term Extension Period the amounts determined below (herein

called the "BASIC RENT") in monthly installments in advance on the first day of each calendar month (herein called the "BASIC RENT PAYMENT DATES") by wire or other electronic transfer of immediately available funds to the Landlord

at the address set forth above and/or to such other person or such other place or account at Landlord from time to time may designate to Tenant in writing; provided, Landlord may designate to Tenant in writing that all of the monthly Basic Rent be paid directly to a Mortgagee. The monthly Basic Rent during the Short-Term Extension Period, if any, shall be at the rate of the monthly Basic Rent payable for the last full calendar month prior to the commencement of the Short-Term Extension Period. Subject to the second sentence of subparagraph 7(a), Tenant shall pay when due all taxes payable on Basic Rent and Additional Rent (as defined below), whether imposed on Landlord or Tenant, including without limitation, all sales taxes on such Basic Rent and Additional Rent, but calculated as if the Basic Rent and the Additional Rent were the sole income of Landlord.

(b) Tenant covenants that all other amounts, liabilities and obligations which Tenant assumes or agrees to pay or discharge pursuant to this Lease together with every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof in accordance with this Lease, shall constitute additional rent hereunder (herein called "ADDITIONAL RENT"). In the event of any failure by Tenant to pay or discharge any Additional Rent, Landlord shall have all rights, powers and remedies provided herein or by law in the case of nonpayment of Basic Rent. Tenant also covenants to pay to Landlord on demand an amount (the "LATE CHARGE") equal to four percent (4%) of the payment amount then due on all installments of Basic Rent or Additional Rent which are more than five (5) days overdue, to cover Landlord's administrative expenses. The actual amount of Landlord's administrative expenses arising by reason of a later payment will be difficult to ascertain and the parties agree that the Late Charge as calculated above is a reasonable estimate thereof. In addition, Tenant further covenants to pay to Landlord on demand interest at the per annum rate of interest equal to five percent (5%) plus the "prime rate" as reported by the WALL STREET JOURNAL, or at the maximum rate permitted by applicable law, whichever is less, on all overdue Basic Rent and Additional Rent from the date due until such amount is paid in full. If the WALL STREET JOURNAL discontinues publication or publication of "prime rate," then Landlord shall substitute a comparable prime rate. Notwithstanding the two prior sentences of this subparagraph 5(b) to the contrary, so long as any debt secured by a first Mortgage against the Premises remains outstanding (including such debt as exists on the date hereof and any such debt incurred in the future), the rate of interest that shall apply under this Lease to all overdue Basic Rent and Additional Rent shall be the least of (i) the maximum rate permitted by applicable law, (ii) fourteen percent (14%) per annum, and (iii) the interest rate applicable to late payments of interest or principle due with respect to such debt (which interest rate under the existing first Mortgage, is referred to as the "Default Rate"); said lowest rate described in clauses (i), (ii) and (iii) being referred to as the "Mortgage Default Rate"; provided, however, such Mortgage Default Rate shall only apply thereto while Landlord is obligated to pay interest at the Default Rate on said Mortgage debt (and at all

other times the rate described in the two prior sentences of this subparagraph 5(b) shall continue to apply to overdue Basic Rent and Additional Rent).

6. NET LEASE; NON-TERMINABILITY.

(a) This is an absolutely net lease to Landlord. It is the intent of the parties hereto that the Basic Rent payable under this lease shall be an absolutely net return to the Landlord and that the Tenant shall pay all costs and expense relating to the Premises and the business carried on therein, unless otherwise expressly provided to the contrary in this Lease. Any amount or obligation herein relating to the Premises which is not expressly declared to be that of the Landlord shall be deemed to be an obligation of the Tenant to be performed by the Tenant at the Tenant's expense. Except as provided in Paragraph 15 and EXHIBIT 15-2, Basic Rent and Additional Rent shall be paid by Tenant without notice or demand (except as expressly provided herein with respect to notices and demands), setoff, counterclaim, abatement, suspension, deduction or defense.

(b) Except as provided in Paragraphs 15 and 41 and EXHIBIT 15-2, this Lease shall not terminate, nor shall Tenant have any right to terminate this Lease, nor shall Tenant be entitled to any abatement of rent, nor shall the obligations of Tenant under this Lease be affected, by reason of any of the following: (i) any damage to or destruction of all or any part of the Premises from whatever cause regardless of whether the improvements may be rebuilt following such damage or destruction to be the same as they were before such event because of applicable Legal Requirements; (ii) the taking of the Premises or any portion thereof by condemnation, requisition or otherwise; (iii) the prohibition, limitation or restriction of Tenant's use of all or any part of the Premises, or any interference with such use; (iv) any eviction by paramount title or otherwise; (v) Tenant's acquisition or ownership of all or any part of the Premises otherwise than as expressly provided herein; (vi) any default on the part of Landlord under this Lease, or under any other agreement to which Landlord and Tenant may be parties; (vii) the failure of Landlord to deliver possession of the Premises on the commencement of the Term; or (viii) any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. It is the intention of the parties hereto that the obligations of Tenant hereunder shall be separate and independent covenants and agreements, that the Basic Rent and the Additional Rent shall continue to be payable in all events and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. Notwithstanding anything to the contrary contained above in this Paragraph, Tenant does retain a separate and independent right to sue Landlord and receive payment of damages in connection therewith or seek equitable remedies against Landlord with respect to any claim Tenant may have against Landlord in any way relating to this Lease or the Premises; provided, however, any judgment, order or injunctive or equitable relief granted in favor of Tenant shall not abate or otherwise affect Tenant's obligation to pay Basic Rent or

Additional Rent or terminate this Lease or otherwise affect any of Tenant's obligations hereunder.

(c) Tenant agrees that it will remain obligated under this Lease in accordance with its terms, and that it will not take any action to terminate, rescind or avoid this Lease, notwithstanding (i) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, or winding-up or other proceeding affecting Landlord or its successors in interest or (ii) any action with respect to this Lease which may be taken by any trustee or receiver of Landlord or its successors in interest or by any court in any such proceeding.

(d) Except as provided in Paragraphs 15 and 41 and EXHIBIT 15-2, Tenant waives all rights which may now or hereafter be conferred by law (i) to quit, terminate or surrender this Lease or the Premises or any part thereof or (ii) to any abatement, suspension, deferment or reduction of the Basic Rent or Additional Rent.

7. TAXES AND ASSESSMENTS; TAX AND INSURANCE ESCROW; COMPLIANCE WITH LAW; ENVIRONMENTAL MATTERS.

(a) Subject to Paragraph 19 below, Tenant shall pay or discharge all Impositions, as hereinafter defined, prior to delinquency. Notwithstanding the foregoing provision of this subparagraph 7(a), Tenant shall not be required to pay any franchise, corporate, estate, inheritance, succession, transfer, net income, capital gains or excess profits taxes of Landlord hereunder (other than (i) transfer and documentary taxes, intangible taxes, recording fees, or similar charges payable in connection with a conveyance to Tenant pursuant to this Lease, the execution of this Lease or the recording of any memorandum or notice of this Lease, (ii) any taxes on gross receipts or similar taxes imposed or levied upon, assessed against or measured by the Basic Rent or Additional Rent or levied upon or assessed against the Premises, and (iii) any such tax, assessment, charge or levy imposed or levied upon or assessed against Landlord in substitution for or in place of an Imposition). Tenant agrees to furnish to Landlord, within thirty (30) days after written request therefor, evidence of the payment of all Impositions. Subject to Paragraph 19 below, Tenant shall pay all real estate taxes and other ad valorem taxes on the Premises ("TAXES") and charges for utilities consumed on the Premises which become due during the Term (even if such Taxes and charges accrued or pertain to a period prior to the commencement of this Lease) and also all Taxes which accrue and charges which relate to utilities consumed during the Term. Taxes shall be prorated at the end of the Term and Tenant shall pay its estimated share of accrued Taxes, if any, with the last installment of Basic Rent due hereunder (such share to be reprorated upon issuance of the actual bill therefor). In the event that any Taxes levied or assessed against the Premises becomes due and payable during the Term hereof and may be legally paid in installments, Tenant shall have

the option to pay such Taxes in installments. In such event, Tenant shall be liable only for those installments and the accrued interest which become due and payable during the Term.

(b) If required by Landlord or a Mortgagee following an Event of Default or following the second instance that Tenant fails to timely pay any Taxes due or any insurance premiums due for Required Insurance (as defined below) within a three-year

period, or following the third such instance during the Term, Tenant shall pay all Taxes and insurance premiums for the Required Insurance accruing during the Term to Landlord (or as Landlord directs in writing to Tenant) in monthly installments on or before the first day of each calendar month, in advance, in an amount reasonably estimated by Landlord or the Mortgagee holding a first Mortgage to be sufficient to create an available fund to pay such Taxes and premiums as they become due; provided, if such installments are required by the first Mortgagee, Tenant shall pay such installments in the amount reasonably estimated by such Mortgagee to such Mortgagee as directed by such Mortgagee in writing to Tenant. Upon receipt of bills for Taxes and/or insurance premiums due during a calendar year, Tenant shall submit to Landlord (and the first Mortgagee if it so requests) a written statement of the actual amount of the Taxes and insurance premiums then due and the amount, if any, theretofore deposited by Tenant in respect thereof. If the total amount theretofore deposited by Tenant under this subparagraph 7(b) in respect thereto shall be less than the actual amount due from Tenant for such year, as shown in such statement, Tenant shall pay to Landlord (or the first Mortgagee, as applicable) the shortfall at the time of submission of such statement. If it appears, in the reasonable judgment of Landlord or the first Mortgagee, as applicable, that the monthly deposits made by Tenant have created a reserve in excess of the amount necessary to pay Taxes and insurance premiums as they become due, the excess shall be credited against the next deposit or deposits of Taxes and insurance premiums due from Tenant hereunder. All amounts due under this subparagraph 7(b) shall be payable to Landlord at the place where the Basic Rent is payable (or to the first Mortgagee, as provided above, as applicable) and shall be held for the benefit of Tenant with either, at the Landlord's option, the first Mortgagee or a financial institution designated by Landlord or the first Mortgagee, provided that, following the occurrence of an Event of Default by Tenant under this Lease, any balance existing in the account, may be applied by Landlord or the first Mortgagee to any amount then owed by Tenant pursuant to this Lease; but neither Landlord nor the first Mortgagee shall be obligated to do so. Tenant shall have no authority to direct Landlord or the first Mortgagee to apply such deposits against any obligation of Tenant under this Lease, and any such application by Landlord or the first Mortgagee shall not have the effect of curing the Event of Default. Said amounts payable by Tenant under this subparagraph 7(b) may be held in commingled accounts, and no interest shall be payable thereon. A copy of a bill for Taxes or insurance

premiums shall at all times be sufficient evidence of the amount of Taxes levied, assessed or imposed against the Premises to which such bill relates or the amount of insurance premiums for some or all of the Required Insurance. Landlord's and Tenant's obligations under this subparagraph 7(b) (except for the obligation of Tenant to make Tax and insurance premium deposits for any period after the Term) shall survive the expiration or early termination of this Lease. Any balance of funds remaining on deposit with Landlord or the first Mortgagee at the expiration of the Term shall be returned to Tenant by the holder thereof.

(c) Tenant shall, at its expense, comply with, cause the Premises to comply with, and cause the use of the Premises to comply with all Legal Requirements, including those which require the making of any structural, unforeseen or extraordinary changes,

whether or not any of the same involve a change of policy on the part of the body enacting the same, including, but not limited to the Americans With Disabilities Act of 1990, 42 U.S.C. Section 12101 ET SEQ. Tenant shall, at its expense, comply with all changes required in order to obtain the Required Insurance (as hereinafter defined), and comply with the provisions of all contracts, agreements, instruments and restrictions existing at the commencement of this Lease or thereafter suffered or permitted by Tenant affecting the Premises or any part thereof or the ownership, occupancy or use thereof. Tenant shall provide Landlord and any first Mortgagee with prompt notice of any written complaints pertaining to any alleged violation of any Legal Requirements and/or the commencement of any proceedings or investigation under any Legal Requirements (of which Tenant has knowledge) affecting or pertaining to the Premises.

(d) Tenant shall:

(i) Subject to subparagraphs 7(f) and 7(g) below, not cause, suffer or permit any Hazardous Material (as defined below) to exist on or discharge from or be released at the Premises in violation of Environmental Laws (whether originating thereon, brought onto the Premises by third parties or migrating to the Premises from other property), except Tenant shall be allowed (subject to Paragraph 3) to bring onto the Premises, use and dispose of Hazardous Materials in the ordinary course of Tenant's business so long as the same is done in accordance with all Environmental Laws, and Tenants shall promptly: (A) remove, remediate and dispose of any Hazardous Material existing on, discharged from or released at the Premises in violation of Environmental Laws, as required by all Environmental Laws, whether during or after the Term, (B) pay any claim against Tenant, any Indemnified Party, (as defined below) or the Premises arising therefrom, (C) remove any charge or lien upon any of the Premises relating thereto, (D) defend (with counsel reasonably acceptable to Landlord), indemnify and hold harmless Landlord, any Mortgagee and their respective officers, directors, trustees, members,

partners, shareholders, beneficiaries, employees and agents (herein collectively called "INDEMNIFIED PARTIES" and individually an "INDEMNIFIED PARTY") from any and all claims, expenses, liability, loss or damage, including all reasonable attorneys' fees and expenses, resulting from any Hazardous Material that now or hereafter exists on or is discharged from or is released at the Premises, and (E) prior to the expiration or earlier termination of this Lease, remove and dispose of all Hazardous Material which then exists on the Premises, in compliance with all Environmental Laws; provided, however, under this clause (E) Tenant may elect to remediate Hazardous Material which then exists on the Premises as required by all Environmental Laws (as opposed to otherwise being required under this clause (E) to remove and dispose of all Hazardous Material), if such remediation program required by Environmental Laws (as opposed to removal and disposal of all Hazardous Material) does not adversely affect Landlord's ability to use the Premises for any purpose (including a change of use) and does not adversely affect the market value of the Premises.

(ii) Not cause, suffer or permit any Hazardous Material to exist on or be discharged from or be released at any property owned or used by Tenant which would result

in any charge or lien upon the Premises and shall promptly: (A) pay any claim against Tenant, any Indemnified Party or the Premises arising therefrom, (B) remove any charge or lien upon the Premises relating thereto, and (C) defend (with counsel reasonably acceptable to Landlord), indemnify and hold harmless each Indemnified Party from any and all claims, expenses, liability, loss or damage (including all reasonable attorneys' fees and expenses) resulting therefrom;

(iii) Notify Landlord and any Mortgagee in writing of any Hazardous Material (other than Hazardous Materials which are stored or transported to or from the Premises in the ordinary course of Tenant's or Tenant's subtenant's business and in compliance with all Environmental Laws) that exists on or is discharged from or onto or released at the Premises (whether originating thereon, placed therein by third parties or migrating to the Premises from other property) within ten (10) days after Tenant first has knowledge of such existence or discharge;

(iv) Tenant shall give Landlord and each Mortgagee prompt notice of (A) any proceeding or inquiry of which Tenant becomes aware during the Term by any party with respect to the presence of any Hazardous Material on, under, from or about the Premises, (B) all claims made or threatened by any third party against Tenant or the Premises relating to any loss or injury resulting from any Hazardous Material of which Tenant becomes aware during the Term, and (C) Tenant's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Premises that Tenant reasonably determines is likely to cause the Premises to be subject to any investigation

or cleanup pursuant to any Environmental Law. Tenant shall permit Landlord and Mortgagee to join and participate in, as a party if it so elects, any legal proceedings or action initiated with respect to the Premises in connection with any Environmental Law or Hazardous Material, and Tenant shall pay all attorneys' fees and disbursements incurred by Landlord and Mortgagee in connection therewith.

(v) Not change its use of the Premises or permit the use of the Premises to be changed to any purpose other than the use on the date hereof, or change the Tenant's business operations conducted at the Premises from that conducted on the date hereof, if any such change of use or operations would (i) materially increase the risk of any Hazardous Material being released or discharged at or from the Premises or otherwise materially increase the environmental risk to the Premises (and for purposes hereof, materiality will be determined by comparing such changed use to the Tenant's use of the Premises at the commencement of the Term), (ii) result in Tenant or Landlord being obligated to perform any remediation of any Hazardous Material or (iii) result in the rescinding or modification of any waiver or stand-still agreement as to environmental compliance matters granted by any governmental agency.

(vi) "HAZARDOUS MATERIAL" means any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any Environmental Laws. "ENVIRONMENTAL LAWS" means any statute, law, ordinance, rule or

regulation of any local, county, state or federal authority having jurisdiction over the Premises or any portion thereof or its use, which pertains to environmental, health or safety matters and/or the regulation of any hazardous or toxic materials, substance or waste, including but not limited to: (A) the Federal Water Pollution Control Act (33 U.S.C. Section 1317 ET SEQ.) as amended; (B) the Federal Resource Conservation and Recovery Act (42 U.S.C. Section 6901 ET SEQ.) as amended; (C) the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601 ET SEQ.) as amended; (D) the Toxic Substance Control Act (15 U.S.C. Section 2601 ET SEQ.), as amended; (E) the Clean Air Act (42, U.S. Section 7401 ET SEQ.), as amended; (F) Md. Code Ann., Environment Article, Title 4, Subtitle 4, as amended; (G) Md. Code Ann., Environment Article, Section 7-201(b), as amended; (H) Md. Code Ann., Environment Article, Title 6, Subtitle 4, as amended and (I) Md. Code Ann., Environment Article, Section 9-277, as amended.

(vii) Tenant's obligations and liabilities under this subparagraph 7(d) shall survive the expiration or earlier termination of this Lease with respect to any obligation accruing prior to the end of the Term (or if earlier than the end of the Term, the date on which Landlord (or any party acting by, through or under Landlord) actually retakes possession of the

Premises under clause (ii) of subparagraph 20(b)) and any Hazardous Material which exists or is discharged from or onto or released at the Premises prior to the end of the Term (or if earlier than the end of the Term, the date on which Landlord (or any party acting by, through or under Landlord) actually retakes possession of the Premises under clause (ii) of subparagraph 20(b)) of this Lease.

(e) (i) Upon Landlord's or any first Mortgagee's request at any time (but not more frequently under this clause (i) than once every five calendar years), (ii) upon Landlord's or any first Mortgagee's request at any time an Event of Default has occurred and is continuing and at such other times as Landlord or a first Mortgagee has reasonable grounds to believe that (A) Hazardous Materials have been released, stored or disposed on or around the Premises (other than as permitted under this Lease) or (B) the Premises may be in violation of Environmental Laws, and (iii) not more than fifteen (15) months and not less than twelve (12) months prior to the scheduled expiration of the Term (as it may be extended) and upon the termination of this Lease, Tenant shall, at Tenant's sole cost, deliver to Landlord and any first Mortgagee a current inspection or audit of the Premises prepared by a hydrogeologist or environmental engineer or other appropriate consultant reasonably approved by Landlord (which inspection or audit may be an onsite update of an earlier inspection or audit) indicating the presence or absence of Hazardous Materials at the Premises or an inspection or audit of the Premises prepared by an engineering or consulting firm reasonably approved by Landlord indicating the presence or absence of friable asbestos or substances containing asbestos at the Premises. If Tenant fails to provide any required inspection or audit within thirty (30) days after any such request or any due date, as the case may be, Landlord may order same, in which event (i) Tenant shall reimbursement Landlord upon demand for the reasonable cost thereof, and (ii) Landlord, any first Mortgagee and such hydrogeologists, engineers and/or consultants shall have the right to come onto the Premises to perform such inspection and/or audit. Tenant shall promptly deliver to Landlord copies of

all monitoring results and environmental inspections and reports which Tenant performs or receives with respect to Hazardous Materials at the Premises.

(f) Notwithstanding the provisions of subparagraph 7(d) or any other provision of this Lease, Tenant shall not be required to remove, remediate and dispose of (i) Hazardous Materials which exist on the Premises at the commencement of the Term to the extent that either (A) they are expressly disclosed in that certain Phase I Environmental Site Assessment report dated June 17, 1998, on-site date June 3, 1998, prepared by EMG and known as EMB Project No. 40090 or (B) Tenant was not aware of their existence at the Premises at the commencement of the Term and such Hazardous Materials were not released or discharged by the initial Tenant hereunder or its Affiliates (collectively, the "EXISTING HAZARDOUS MATERIAL"), or (ii) Hazardous Materials which migrate onto the Premises after the commencement of the Term and are not released or discharged by the initial Tenant hereunder or its

Affiliates or their respective successors or assigns (including any subsequent Tenant hereunder) (the "MIGRATING HAZARDOUS MATERIAL"), unless and until (but subject to Paragraph 19) Landlord, a Mortgagee, Tenant or an Affiliate of Tenant receives a notice or demand from a governmental agency requiring Landlord, a Mortgagee, Tenant or an Affiliate of Tenant to remove, remediate or dispose of such Existing Hazardous Material or Migrating Hazardous Material (collectively, "EXISTING/MIGRATING HAZARDOUS MATERIAL"), or Landlord, a Mortgagee, Tenant or an Affiliate of Tenant is otherwise required to remove, remediate or dispose of such Existing/ Migrating Hazardous Material by a third party action (which action neither Landlord nor such Mortgagee shall have any obligation to dispute). If removal, remediation or disposal of such Existing/Migrating Hazardous Material is required hereunder, the standard for such removal, remediation or disposal shall be the standards and requirements imposed by applicable Environmental Laws, taking into account any change (or proposed change) of use of the Premises. Except as expressly provided above in this subparagraph 7(f) with respect to Existing/Migrating Hazardous Material, nothing in this subparagraph 7(f) shall diminish in any respect (x) Tenant's obligation (subject to Paragraph 19) to comply with all of the provisions of subparagraph 7(d) once Landlord, a Mortgagee, Tenant or an Affiliate of Tenant receives such a governmental notice or demand or is otherwise required to take remedial action with respect to the Existing/Migrating Hazardous Material or (y) Tenant's indemnification obligations under clauses (i)(D) and (ii) of subparagraph 7(d) or Paragraph 8.

(g) If at the end of the Term of this Lease, (i) Hazardous Materials are at, on or under the Premises in breach of the foregoing provisions of subparagraphs 7(d) and 7(f), (ii) the presence of such Hazardous Materials adversely affects Landlord's ability to use the Premises for any purpose (including a change of use) or adversely affects the market value of the Premises, and (iii) Tenant is contesting diligently, in good faith and in accordance with the provisions of Paragraph 19 below the remediation requirements, standards or methods being required by an applicable governmental entity with respect to such Hazardous Materials, then at Landlord's option (to be elected, if at all, by written notice thereof from Landlord to Tenant), the Term shall be automatically extended on all of the terms and conditions of this Lease, except as follows:

(A) such extension period shall expire automatically and the Term shall therefor end when any of the conditions described in clauses (i), (ii) or (iii) above are no longer continuing, or if earlier, upon thirty (30) days prior written notice from Landlord to Tenant that such extension period shall expire;

(B) the monthly Base Rent due during such extension period shall be in the same amount as the Base Rent payable during the last full calendar month of the Term prior to such extension period;

(C) Tenant shall have no right to further extend the Term of this Lease, notwithstanding any other provision of this Lease to the contrary, including Paragraph 4 above; and

(D) Tenant shall diligently continue to prosecute said dispute and to otherwise comply with the provisions of subparagraphs 7(d) and 7(f).

If Landlord does not make such election to extend the Term, or Landlord elects to terminate such extension pursuant to clause (A) above, then so long as Tenant continues to diligently prosecute such contest and otherwise performs its obligations in accordance with the provisions of Paragraph 19 (including without limitation, diligently curing such breach, if it still exists, upon the conclusion of such contest), such breach shall not constitute an Event of Default. Nothing herein shall limit Tenant's obligations under clauses (i)(D) or (ii) of subparagraph 7(d) or Paragraph 8.

8. INDEMNIFICATION.

(a) Tenant agrees to pay, and to protect, defend (with counsel reasonably acceptable to Landlord), indemnify and hold harmless Landlord and the other Indemnified Parties from and against any and all liabilities, losses, damages, costs, expenses (including all reasonable attorneys' fees and expenses), causes of action, suits, claims demands or judgments of any nature (herein collectively called "DAMAGES") whatsoever arising from (i) any use, condition or event occurring on the Premises prior to or during the Term (including without limitation, the construction of any Alterations), (ii) any injury to, or the death of, any person or damage to property on the Premises prior to or during the Term, (iii) any injury to, or the death of, any person or damage to property upon adjoining sidewalks, streets or right of ways, in any manner growing out of or connected with the use, non-use, condition or occupation of the Premises, adjoining sidewalks, streets or right of ways prior to or during the Term, (iv) any violation by Tenant of any agreement or condition of this Lease (subject to Paragraph 20 below), or (subject to the second grammatical paragraph of Paragraph 9 below) any contract or agreement to which Tenant is a party or which pertains to the Premises or any part thereof or the ownership, occupancy or use thereof, and (v) any violation by Tenant of any Legal Requirement; provided, however, the foregoing indemnity shall not apply as to an Indemnified Party with respect to claims arising solely from the grossly negligent affirmative acts or willful misconduct of such Indemnified Party, or as to Landlord and its officers, directors, trustees, members, partners, shareholders, beneficiaries,

employees and agents only, the failure of Landlord to send Tenant copies of any written notices received by Landlord from governmental agencies or third parties, which notices pertain to the Premises. If an Indemnified Party shall be made a party to any such litigation commenced against Tenant, Tenant shall

pay all reasonable costs and attorneys' fees and expenses incurred or paid by Landlord or such other Indemnified Party in connection with such litigation.

(b) Tenant shall indemnify each Indemnified Party with respect to any loss or damage suffered by Landlord or such other Indemnified Party by reason of any material inaccuracy or misstatement in any representation or warranty of Tenant set forth in this Lease or in any document, notice, certificate, demand or request delivered to any Indemnified Party pursuant to this Lease.

(c) The Tenant's obligations and liabilities under this Paragraph 8 shall survive expiration or earlier termination of this Lease.

9. LIENS.

Tenant will not, directly or indirectly, create or permit to be created and to remain for more than thirty (30) days after the creation thereof, and will, subject to Paragraph 19 below, promptly discharge (or bond over, if the legal effect of bonding over will act as a discharge), at its expense, within thirty (30) days after the creation thereof, any mortgage, lien, encumbrance or charge on, pledge of, or conditional sale or other title retention agreement with respect to, the Premises or any part thereof or Tenant's interest therein or the Basic Rent, Additional Rent or other sums payable by Tenant under this Lease, other than any Mortgage (as defined herein) or other encumbrance created by Landlord or the encumbrances and easements set forth on EXHIBIT 9 attached hereto. Nothing contained in this Lease shall be construed as constituting the consent or request, expressed or implied, by Landlord to or for the performance of any labor or services or of the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to the Premises or any part thereof by any contractor, subcontractor, laborer, materialman or vendor. Notice is hereby given that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding the Premises or any part thereof, by, through or under Tenant, and that no mechanic's, construction or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in and to the Premises.

Landlord shall not affirmatively create any liens or encumbrances with respect to the Premises other than Mortgages (and documents evidencing or securing debt secured by a Mortgage), which liens or encumbrances affect the Premises during the Term, without the prior written consent of Tenant, which consent shall not be unreasonably withheld, conditioned or delayed. If either Landlord or Tenant desires to grant an encumbrance on the Premises which is reasonably required for the operation of the Premises or the increased value of the Premises (such as, but not limited to, a utility easement to bring additional services to the Premises or a cross access easement with an adjoining property), then Landlord and Tenant shall cooperate

with each other to grant such easement and/or consent thereto, as applicable, so long as such encumbrance does not unreasonably interfere with Tenant's business operations at the Premises and will not, in Landlord's reasonable judgment, impair the value of the Premises (either at the time of the granting of the encumbrance or as of the end of the Term). As to any encumbrance requested by Tenant, Tenant shall promptly reimburse Landlord for all of Landlord's costs reasonably incurred in connection therewith, including without limitation, Landlord's reasonable legal fees and expenses and any amounts payable to any Mortgagee in connection therewith, costs of providing a survey showing such encumbrance reasonably requested by Landlord or a Mortgagee, and title insurance insuring any easement or right benefiting the Premises which may be granted in connection therewith.

Although Landlord shall have no obligation whatsoever to contest any assessment of real estate taxes or any assessed valuation pertaining to the Premises or to contest the creation of any new assessment district which would include the Premises, Landlord shall not, without Tenant's prior written consent, voluntarily affirmatively consent in writing to any increased real estate taxes or assessed valuation with respect to the Premises, or to the creation of any new governmental assessment district, except to the extent the same may be required by applicable Legal Requirements. For purposes hereof, the payment by Landlord of any Imposition shall not be deemed to constitute such voluntary affirmative consent.

10. MAINTENANCE AND REPAIR.

(a) Tenant acknowledges that, with full awareness of its obligations under this Lease, Tenant has accepted the condition, state of repair and appearance of the Premises. Tenant agrees that, at its expense, it shall put, keep and maintain the Premises, including any altered, rebuilt, additional or substituted buildings, structures and other improvements thereto or thereon, in good repair and appearance and in safe condition, and shall make all repairs and replacements necessary therefor. Tenant shall also make promptly, all structural and nonstructural, foreseen and unforeseen, ordinary and extraordinary changes, replacements and repairs of every kind and correct any patent or latent defects in the Premises or which may be required to be made to put, keep and maintain the Premises in good, safe condition, repair and appearance and it will keep the Premises orderly and free and clear of rubbish. Tenant covenants to perform or observe all terms, covenants or conditions of any easement, restriction, covenant, declaration or maintenance agreement (collectively, "EASEMENTS") to which it may at any time be a party or to which the Premises are currently (or with Tenant's consent, which shall not be unreasonably withheld or delayed, to which the Premises may hereafter become) subject, whether or not such performance is required of Landlord under such Easements, including without limitation, payment of all amounts due from Landlord or Tenant (whether as assessments, service fees or other charges) under such Easements. Tenant shall, at its expense, use reasonable efforts to enforce compliance with any Easements benefiting the Premises by any other person or entity or property subject to

such Easement. Landlord shall not be required to maintain, repair or rebuild, or to make any alterations, replacements or renewals of any nature to the Premises, or any part thereof, whether ordinary or extraordinary, structural or nonstructural, foreseen or not foreseen, or to maintain the

Premises or any part thereof in any way or to correct any patent or latent defect therein. Tenant hereby expressly waives any right to make repairs at the expense of Landlord which may be provided for in any law in effect at the time of the commencement of the Term or which may thereafter be enacted. If Tenant shall abandon the Premises, it shall give Landlord and any Mortgagee immediate notice thereof.

(b) Subject to Paragraph 19 below, if any Improvements situated on the Premises at any time during the Term shall encroach upon any property, street or right-of-way adjoining or adjacent to the Premises, shall violate any Legal Requirement or shall impair the rights of others under or hinder or obstruct any Easement or right-of-way to which the Premises is subject, then, promptly after the written request of any applicable governmental authority, Landlord or any person or entity affected by any such encroachment, violation, impairment, hindrance or obstruction (which other party may be Landlord with respect to any such encroachment, violation or impairment which first arises after the date of this Lease), Tenant shall, at its expense, either (i) obtain legally effective variances of such legal requirements or waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation, impairment, hindrance or obstruction whether the same shall affect Landlord, Tenant or both, or (ii) make such changes in the Improvements on the Premises and take such other action as shall be necessary to remove such encroachments, hindrances or obstructions and to end such violations or impairments, including, if necessary, the alteration or removal of any Improvement on the Premises; provided, however, Tenant shall do so only in a manner that does not lessen the market value of the Premises. Except as provided in the proviso at the end of the preceding sentence, any such alteration or removal shall be made in conformity with the requirements of Paragraph 11 to the same extent as if such alteration or removal were an alteration under the provisions of Paragraph 11. Notwithstanding the foregoing provisions of this subparagraph 10(b) to the contrary, Landlord shall not have the right to make such request to take action with respect to such encroachment, violation, impairment, hindrance or obstruction if the same was expressly disclosed on the ALTA/ACSM Land Title Survey dated June 3, 1998, revised on July 28, 1998, and known as Network Project No. 980301.1, prepared by Dewberry & Davis. The preceding sentence shall not, however, negate Tenant's obligations under this subparagraph 10(b) if request is made by any governmental authority or any third-party.

(c) Landlord, any Mortgagee and their respective agents and designees may enter upon and inspect the Premises at reasonable times and on reasonable prior notice (being at least one-day's prior notice) and show the

Premises to prospective Mortgagees and/or purchasers; provided, however, at Tenant's direction, Tenant may reasonably require that such individuals be escorted while at the Premises, in which event Tenant shall provide adequate personnel for such purposes; and provided, further, that entrants onto the Premises shall maintain as confidential any third party confidential information viewed by them at the Premises (for example, confidential offering memoranda being printed at the Premises). Tenant may designate an employee to accompany Landlord, any Mortgagee and their respective agents and designees on such examinations. Tenant will provide, upon Landlord's request within two (2) years prior to the end of the then-scheduled Term, all records in

Tenant's possession (or otherwise reasonably available to Tenant) for the prior twelve (12) months with respect to all expenses paid to utility companies and third party vendors (such as scavengers, landscape contractors and HVAC maintenance contractors) relating solely to the operation of the Premises as opposed to Tenant's business. All such information will be certified as true, complete and correct to Tenant's knowledge by an appropriate officer of Tenant.

(d) Landlord acknowledges that so long as no Event of Default is continuing, Landlord shall have no right to enter the Premises during the Term for the purpose of constructing alterations, additions or improvements to the Premises, without the prior written consent of Tenant. As set forth above, Landlord shall have no obligation under any circumstances whatsoever, to construct any alterations, additions or improvements to the Premises.

(e) Intentionally Omitted.

11. ALTERATIONS.

Tenant shall not make or suffer to be made, any alterations, additions or improvements ("ALTERATIONS") in, on or to the Premises or any part thereof which Alterations cost in excess of Two Hundred Thousand Dollars ($200,000) or which Alterations alter the footprint of the Improvements or the structural components of the Improvements without, in each case, the prior written consent of Landlord and each Mortgagee (as hereinafter defined), which consents shall not be unreasonably withheld, conditioned or delayed. Such consent may be conditioned on the requirement that Tenant remove any such Alterations at the end of the Term (as it may be extended) and put the Premises back into its former condition, and repair any damage to the Premises caused thereby; provided, however, Landlord will not require Tenant to put the Premises back into its former condition unless either (i) the Alterations in question reduce either the footprint or usable square footage of the Improvements or (ii) the Alterations would result in a decrease in the market value of the Premises (either at the time of completion of the Improvements or at the end of the Term). In the event Tenant makes any changes in or to any mechanical component of the Premises

(for example, a portion of the HVAC system), Tenant shall replace the same with new mechanicals of equal or greater value and utility. In the event Tenant makes any Alterations of the Premises in connection with the use of the Premises (or a portion thereof) for any permitted purpose which is materially different from Tenant's use upon the commencement of this Lease, then upon Landlord's request at the end of the Term (as it may be extended), Tenant shall remove any such Alterations and put the Premises back into its former condition suitable for use for printing and warehouse/distribution purposes, and repair any damage to the Premises caused thereby; provided, however, if Tenant provides Landlord with reasonable prior notice of such Alterations (including all information and drawings pertaining thereto as Landlord may reasonably request), and Tenant expressly requests in such notice that Landlord do so, then Landlord shall, within ten (10) business days after receipt of such notice (and related information and drawings), give Tenant notice as to whether or not Landlord will require

Tenant to remove any such Alterations at the end of the Term and repair any damage caused thereby. Minor decorations to the Premises, such as painting and wallpapering, shall not constitute Alterations for purposes of this Lease. If Landlord's consent to Alterations is required, Landlord's consent shall be contingent upon Tenant satisfying the following minimum conditions and any other reasonable conditions imposed by Landlord or any Mortgagee:

(a) No Event of Default shall be continuing under this Lease;

(b) Tenant shall pay or cause to be paid the entire cost of such Alterations;

(c) Prior to commencement of the work, plans and specifications for such Alterations shall be submitted to Landlord for prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed;

(d) Tenant shall take all necessary steps to prevent the imposition of liens against the Premises as a result of such Alterations;

(e) Tenant shall obtain and pay for all necessary permits and shall comply with all applicable governmental requirements;

(f) The market value of the Premises shall not be lessened by reason of the proposed Alterations;

(g) All Alterations shall be constructed in a good and workmanlike manner in compliance with all Legal Requirements;

(h) Tenant shall cause the construction of Alterations, once commenced, to be diligently pursued to completion;

(i) If the Alterations are reasonably expected to cost in excess of Two Hundred Thousand Dollars ($200,000.00) in aggregate, Tenant shall provide a construction budget showing all "hard" and "soft" costs to be incurred in connection with such Alterations, plus a reasonable contingency (the "Alterations Budget"), together with evidence reasonably acceptable to the Landlord and any Mortgagee supporting the total costs reflected in the Alterations Budget, which may include, among other things, one or more fixed price or guaranteed maximum price contract(s), completion and labor and materials bonds and costs analyses by reputable architects and engineers; and

(j) With respect to Alterations which are reasonably anticipated by Tenant, Landlord or first Mortgagee to cost, in aggregate, more than One Million Dollars ($1,000,000.000), Tenant shall demonstrate to the reasonable satisfaction of the Landlord and any first Mortgagee the availability of liquid funds in an amount sufficient to complete such Alterations and pay all costs and expenses in connection therewith, which may be in the form of:

(i) a segregated bank account, containing an amount at least equal to the total costs (including contingency) shown in the Alterations Budget, at a bank whose financial condition is reasonably acceptable to Landlord and any first Mortgagee, which account shall be pledged to Landlord and its first Mortgagee as security for the performance by Tenant of its obligation to complete and pay for such Alterations (it being agreed that the funds in any such account shall be available for application by Tenant to the costs of the Alterations as such costs are incurred, subject to receipt of customary evidence of completion of the work for which payment is being made, receipt of appropriate lien waivers, and the sufficiency of the funds remaining in the account to complete the Alterations); OR

(ii) an irrevocable letter of credit, in an amount at least equal to the total costs (including contingency) shown in the Alterations Budget, from a bank or other financial institution regularly in the business of issuing letters of credit and whose financial condition is reasonably acceptable to Landlord and any first Mortgagee, which letter of credit shall be in form and content reasonably acceptable to Landlord and any first Mortgagee and which shall secure the performance by Tenant of its obligation to complete and pay for such Alterations (it being agreed that the amount of such letter of credit may be reduced as costs of the Alterations are paid, subject to receipt of customary evidence of completion of the work for which payment has been made, receipt of appropriate lien waivers, and the sufficiency of the remaining balance of the letter of credit to complete the Alterations); OR

(iii) subject to the further provisions of the last grammatical paragraph of this Paragraph 11, a loan, in an amount at

least equal to the total costs (including contingency) shown in the Alterations Budget, from a bank or other financial institution regularly in the business of making loans for construction, alterations, or improvements to commercial or industrial properties and whose financial condition is reasonably acceptable to Landlord and any first Mortgagee, with such loan to be evidenced by legally binding loan documents executed by Tenant and such lender that provide for disbursement of the necessary funds on a regular basis as required for payment of such costs and that are otherwise in a form customary for such loans; or

(iv) any combination of clauses (i), (ii) and/or (iii) above.

For purposes of this Paragraph 11, the financial condition of a bank or other financial institution shall be reasonably acceptable if it meets guidelines published from time to time by Standard & Poors or another nationally recognized credit rating agency for holders of deposits in connection with issues of rated debt instruments. In addition, any such bank or financial institution shall have its principal offices in the continental United States or shall have substantial branch operations and substantial assets in the continental United States.

Notwithstanding anything to the contrary stated in this Paragraph 11, in the event Tenant is required to make Alterations to the Premises in order to comply with any Legal Requirements, Tenant may make or cause to be made such Alterations without the prior written consent (but upon the prior notification) of Landlord. Tenant shall (to the maximum extent possible in compliance with all Legal Requirements) satisfy the conditions specified in the clauses (b) through (j) (except only clause (f)) of this Paragraph 11 with respect to such Alterations and Tenant shall use commercially reasonable efforts to make or cause to make such Alterations in the manner which will have the least negative impact on the market value of the Premises.

All Alterations shall at once become a part of the realty and belong to Landlord. Tenant shall provide Landlord with "as built" plans for all Alterations (excluding merely decorative work), or if no "as built" plans are prepared in connection with such work, then Tenant shall provide Landlord with marked record sets in lieu thereof. Movable furniture, furnishings, decorations, trade fixtures and other personal property of Tenant and its subtenants, including without limitation, Tenant's printing equipment, may be removed from the Premises at any time prior to the expiration or earlier termination of this Lease, provided that Tenant shall repair any damage to the Premises resulting from such removal. The obligations of Tenant under this Paragraph 11 shall survive expiration or earlier termination of this Lease. Tenant shall promptly upon request therefor reimburse Landlord and any Mortgagee the amount of all reasonable fees and expenses incurred by them (including without limitation reasonable attorneys' fees and expenses and

reasonable architects' and engineers' fees and expenses) in connection with any requests by Tenant to perform Alterations, review any plans and specifications and/or budgets with respect thereto, the performance of any Alterations and any other matters addressed in this Paragraph 11.

In the event Tenant proposes to make Alterations the cost of which will exceed Two Hundred Thousand Dollars ($200,000) and which have been approved by Landlord as provided above in this Paragraph 11, Tenant shall be permitted to obtain financing therefor provided that, prior to making a non-refundable deposit in respect of an application or commitment, or accepting a binding commitment, for such financing, Tenant shall give Landlord written notice ("FINANCING NOTICE") of the financial and other material terms thereof and Landlord shall have thirty (30) days to attempt to obtain a commitment for financing (but Landlord shall not have any obligation to obtain such commitment) at an interest rate and other material terms equal to or more favorable to Tenant than that described in Tenant's notice. If Landlord advises Tenant in writing within such thirty (30) day period that Landlord has obtained a commitment for such financing, Tenant shall not consummate the financing described in its notice but rather the parties shall use reasonable commercial efforts to consummate the financing arrangement described in Landlord's notice ("LANDLORD'S FINANCING"). In connection with the closing of Landlord's Financing, Tenant and Landlord shall amend this Lease in writing to increase Basic Rent by an amount sufficient to amortize Landlord's Financing over the remaining Term (without regard to unexercised extensions thereof) and Tenant shall further provide such documents (including an estoppel, attornment and nondisturbance agreement and the like) as are reasonably requested by the lender, Landlord

and any existing Mortgagee and are reasonably acceptable to Tenant. Landlord shall not have any liability to Tenant if such financing does not close. In the event that Landlord does not obtain a commitment for such financing or if the financing does not close, Tenant shall be free to consummate, during the one hundred-twenty (120) day period following the aforementioned thirty (30) day period, the financing described in its notice. If the Tenant is Perry Judd's Holdings, Inc. and/or an Affiliate thereof, Tenant shall be entitled to pledge its leasehold as security for such financing, provided in no event shall any other Tenant shall be permitted to create a leasehold mortgage. Subject to the foregoing (and Paragraph 3), Landlord shall agree to accept an institutional leasehold lender (which is not an Affiliate of Tenant) as an assignee of Tenant's interest under this Lease; provided, however, that (i) in no event, shall Landlord be required to amend this Lease to provide any additional notices (other than notices given concurrently with notices to Tenant) or cure rights (other than cure periods which run concurrently with those given Tenant hereunder) to the leasehold lender, and (ii) such leasehold lender shall regularly in the business of making loans for construction, alterations, or improvements to industrial or other commercial properties. Any such assignment, as well as Tenant's and such assignee's rights and obligations resulting therefrom, shall be governed by Paragraph 16

below. At Tenant's request, Landlord will issue an estoppel certificate to such permitted leasehold lender pursuant to Paragraph 25 hereof. If Tenant does not consummate such financing within such one hundred-twenty (120) day period, Tenant shall not thereafter consummate financing with respect to such Alterations without first giving Landlord a Financing Notice in accordance with this Paragraph 11. Nothing in this Paragraph 11 shall prohibit Tenant from financing the cost of Alterations which have been approved pursuant to this Paragraph 11 with Tenant's own funds.

12. INSURANCE.

(a) Tenant shall maintain, or cause to be maintained, at its sole expense, the following insurance on the Premises (herein called the "REQUIRED INSURANCE"):

(i) Property insurance insuring the Improvements for all risks of direct physical loss and for perils covered by the causes of loss-special form (all risk, extended coverage) and in addition, ordinance or law coverage and boiler and machinery (if applicable). Such insurance shall be written on a replacement cost basis with an agreed value equal to the full insurable replacement value of the Improvements. The policy shall name Landlord and any Mortgagee as insureds and loss payees. Not more frequently than every twenty-four (24) months, if in the reasonable opinion of the Landlord the amount of the Tenant's property insurance is found to be inadequate to comply with the second sentence of this subparagraph 12(a)(i), the Tenant will increase the insurance to an amount sufficient to comply therewith as reasonably determined by the Landlord.

(ii) Commercial general liability insurance naming the Landlord (and each of its shareholders, members, partners and beneficiaries, as applicable) and any Mortgagee as additional insureds against any and all claims as are customarily covered under a standard policy form routinely accepted, for bodily injury, death and property damage occurring in, or

about the Premises and adjoining streets and sidewalks arising out of Tenant's use and occupancy of the Premises. Such insurance shall have a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence with a Five Million Dollar ($5,000,000) aggregate limit and excess umbrella liability insurance in the amount of at least Thirty Million Dollars ($30,000,000). Tenant shall be required to increase its insurance limits from time to time consistent with coverage on properties similarly constructed, occupied and maintained. Such liability insurance shall be primary and not contributing to any insurance available to Landlord and Landlord's insurance, if any, shall be in excess thereto. In no event shall the limits of such insurance be considered as limiting the liability of Tenant under this Lease.

(iii) Workers' compensation insurance in accordance with statutory law and employers' liability insurance with a limit of not less than Five

Hundred Thousand Dollars ($500,000) per occurrence.

(iv) During any period of construction on the Premises, builder's risk insurance insuring perils covered by the loss-special form (all risk, extended coverage) shall be purchased for the value of the alteration and/or additions made to the Premises when the work is not insured under the Tenant's property insurance policy.

(v) Flood insurance in an amount reasonably agreed to by Landlord and Tenant if the Premises are located in a special flood hazard zone.

(vi) If the Premises are located in an earthquake zone, earthquake insurance in amounts sufficient to prevent Landlord and Tenant from becoming a coinsurer of any loss but in any event in amounts equal to 100% of the actual replacement value of the Improvements including foundations and excavations, with a prudent deductible considering the gross insurance coverage, the cost of the insurance and the financial strength of the Tenant, the amount of such deductible to be reasonable acceptable to Landlord (it being agreed that as of the date of this Lease, One Hundred Thousand Dollars ($100,000) is a prudent deductible) and with a replacement cost endorsement.

(vii) Such other insurance (excluding business interruption insurance) as Landlord may, from time to time, reasonably require, or which may, from time to time, be required by Landlord so long as such other insurance is customarily required to be carried on similar properties by institutional landlords or mortgagees in the industry.

(b) The policies required to be maintained by Tenant shall be with companies having (i) an insurance company claims paying rating equal to or greater than A by Standard & Poors Corporation or A2 by Moody's Investment Service or be considered equivalent to an NAIC 1 or other acceptable rating acceptable to the Securities Valuation Office of the National Association of Insurance Commissioners, and (ii) a general policy rating of A or better and a financial class of XI or better by A.M. Best Company, Inc. Insurers shall be licensed to do business in the state in which the Premises are located and domiciled in the USA. Except as may be otherwise specified in subparagraph 12(a), any

deductible amounts under any insurance policies required hereunder shall not exceed Fifty Thousand Dollars ($50,000). Certificates of insurance (as to property insurance, using Accord Form No. 27 (or equivalent thereof), and as to liability insurance, using Accord Form 25-S (or the equivalent thereof)), together with reasonable evidence of payment of the premiums therefor, shall be delivered to Landlord and each Mortgagee prior to the commencement date of this Lease and thereafter at least thirty (30) days prior to the expiration

date each required policy, and such certificates shall include such information as is necessary to evidence compliance of such policies with the provisions of this Paragraph 12. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Premises and to Landlord and any Mortgagee as required by this Lease. Each policy of insurance shall provide notification to Landlord and any first Mortgagee at least thirty (30) days prior to any non-renewal, cancellation or modification to reduce the insurance coverage.

(c)(i) Insurance claims by reason of damage to or destruction of any portion of the Premises shall be adjusted by Tenant if an Event of Default is not then continuing, and by Landlord if an Event of Default is then continuing. Tenant shall, promptly after any damage or destruction to the Premises, advise Landlord any first Mortgagee of such occurrence and consult with Landlord and any first Mortgagee throughout the process of adjusting any such claim. Landlord shall not be required to prosecute any claim against, or to contest any settlement proposed by, an insurer. Tenant may, at its expense, prosecute any such claim or contest any such settlement in the name of Landlord, Tenant or both, and Landlord will join therein at Tenant's written request upon the receipt by Landlord of an indemnity from Tenant against costs, liabilities and expenses in connection therewith.

(ii) Subject to the provisions of Paragraph 13, proceeds from the property insurance policy (net of Tenant's and if applicable, Landlord's and Mortgagee's, reasonable expenses incurred in adjusting and collecting such proceeds) shall be made available from Landlord or Mortgagee to Tenant, but only upon submission to Landlord and any Mortgagee (A) prior to commencement of work, of plans and specifications covering all repair and restoration work in form and substance reasonably acceptable to Landlord and Mortgagee, and (B) prior to each periodic disbursement: (1) reasonable evidence that the remaining unapplied proceeds of the insurance will be sufficient to pay the remaining cost of the reconstruction or repair and provide a reasonable reserve for contingencies, (2) certificates of Tenant delivered to Landlord from time to time as such work or repair progresses, each such certificate describing the work or repair for which Tenant is requesting payment and the cost incurred by Tenant in connection therewith and stating that Tenant has not theretofore received payment for such work and has sufficient funds remaining to complete the work free of liens or claims, (3) owner's and contractor's sworn statements in customary form and appropriate waivers of mechanic's or construction liens, (4) architect's certificates in customary form covering the work from which payment is requested, and (5) such other requirements as may be imposed by any Mortgagee so long as such requirements are consistent with customary construction lending practices. Subject to the provisions of Paragraph 13, any proceeds remaining after

Tenant has repaired the Premises pursuant to Paragraph 13 shall be delivered to

Tenant. No payment shall be made to Tenant pursuant to this subparagraph 12(c) if any monetary default is continuing or any Event of Default is continuing in the performance by Tenant of its obligations under this Lease.

(d) In the event Tenant does not purchase the insurance required by this Lease or keep the same in full force and effect, Landlord may, but shall not be obligated to, purchase the necessary insurance and pay the premium therefor. The Tenant shall repay to Landlord, as Additional Rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all reasonable expenses (including reasonable attorneys' fees) and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain such insurance.

(e) Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force any of the Required Insurance to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable under such insurance; but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss, to the extent of any deficiency in the Required Insurance and damages, costs and expenses of suit suffered or incurred by reason of or damage to, or destruction of the Premises, occurring during any period when the Tenant may have failed or neglected to obtain the Required Insurance. Tenant shall indemnify and hold harmless Landlord and any Mortgagee for any liability incurred by Landlord or any Mortgagee arising out of any deductibles for Required Insurance.

(f) All policies of insurance required under this Paragraph 12 (except, workers' compensation insurance) shall contain clauses or endorsements to the effect that:

(i) no act or negligence of Landlord, or anyone acting for Landlord or of Tenant or any subtenant or other occupant of the Premises, or failure to comply with the provisions of any policy which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Landlord and any Mortgagee is concerned; and

(ii) Neither Landlord nor any Mortgagee shall be liable for any insurance premiums thereon or subject to any assessments thereunder.

13. CASUALTY.

(a) If a part of the Premises shall be damaged or destroyed by casualty, and if the estimated cost of rebuilding, replacing and repairing the same shall be or exceed Two Hundred Thousand Dollars ($200,000), Tenant shall promptly notify Landlord and Mortgagee thereof; and subject to subparagraph 13(b) and Paragraph 15 below (whether or not such estimated cost shall be or exceed Two Hundred Thousand Dollars ($200,000) and whether or not insurance proceeds are or will ever be available therefor) Tenant shall, with

reasonable promptness and diligence, rebuild, replace and repair any damage or destruction to the Premises, at its expense, in conformity with the requirements of Paragraph 11 in such manner as to restore the same to the same or better condition, as nearly as possible, as existed immediately prior to such casualty and there shall be no abatement of Basic Rent or Additional Rent.

(b) Notwithstanding anything if Paragraph 13 to the contrary, during any period of time when there continues to exist an Event of Default, Landlord, in the exercise of its sole and absolute discretion, shall have the right, without limiting Tenant's obligations under subparagraph 13(a), to receive and retain any insurance proceeds from any casualty and to apply same in any manner Landlord, in its sole discretion, may determine, instead of making such proceeds available to Tenant for the rebuilding or restoration of the damaged portion of the Premises. However, if Tenant cures all Tenant defaults under this Lease before Landlord or a first Mortgagee exercises its remedies under clauses (i) or (ii) of subparagraph 20(b), then Landlord shall make the net casualty insurance proceeds available to Tenant to rebuild and restore the Premises as provided above.

14. CONDEMNATION.

(a) Subject to the rights of Tenant set forth in this Paragraph 14 and in subparagraph 15(b), Tenant hereby irrevocably assigns to Landlord any award or payment to which Tenant may be or become entitled with respect to the taking of the Premises or any part thereof, by condemnation or other eminent domain proceedings pursuant to any law, general or special, or by reason of the temporary taking of the use or occupancy of the Premises or any part thereof, by any governmental authority, civil or military, whether the same shall be paid or payable in respect of Tenant's leasehold interest hereunder or otherwise; provided, however, the foregoing assignment shall not apply to any separate award which Tenant may be entitled to claim against the condemnor with respect to Tenant's relocation expenses or with respect to the value of Tenant's personal property, trade fixtures and printing equipment so long as such separate award does not reduce the Net Award to which Landlord is otherwise entitled. Landlord and any first Mortgagee shall be entitled to participate in any such proceeding and the reasonable expenses of Landlord (including reasonable counsel fees and expenses) shall be paid by Tenant.

(b) If during the Term (i) a portion of the Premises shall be taken by condemnation or other eminent domain proceedings, which taking does not result in a termination of Lease pursuant to Paragraph 15 or (ii) the use or occupancy of the Premises or any part thereof shall be temporarily taken by any governmental authority; then this Lease shall continue in full force and effect without abatement or reduction of Basic Rent or Additional Rent notwithstanding such partial or temporary taking. Subject to the following provisions of this subparagraph 14(b) as to Tenant's use of the Net Award from a temporary taking, Tenant shall, promptly after any such temporary taking ceases, at its expense,

repair any damage caused thereby in conformity with the requirements of Paragraph 11 so that, thereafter, the Premises shall be, as nearly as possible, in a condition as good as

the condition thereof immediately prior to such taking. In the event of any such partial taking, Landlord shall made the Net Award (as defined in subparagraph 14(c)) available to Tenant to make such repair but, if such Net Award shall be in excess of Two Hundred Thousand Dollars ($200,000), only upon submission to Landlord and any Mortgagee (A) prior to commencement of work, plans and specifications covering all repair work in form and substance reasonably acceptable to Landlord and Mortgagee, and (B) prior to each periodic disbursement: (1) reasonable evidence that the remaining unapplied Net Award will be sufficient to pay the remaining unpaid cost of the repair and provide a reasonable contingency reserve, (2) certificates of Tenant delivered to Landlord from time to time as such work or repair progresses, each such certificate describing the work or repair for which Tenant is requesting payment and the cost incurred by Tenant in connection therewith and stating that Tenant has not theretofore received payment for such work, (3) owner's and contractor's sworn statements in customary form and appropriate waivers of mechanic's or construction liens, (4) architect's certificates in customary form covering the work for which payment is requested, and (5) such other requirements as may be imposed by any Mortgagee so long as such requirements are consistent with customary construction lending practices. Any Net Award remaining after such repairs have been made, shall be delivered to Landlord. In the event of such temporary taking, Tenant shall be entitled to receive the entire Net Award payable by reason of such temporary taking or portion of such temporary taking occurring during the Term hereof, less any reasonable costs incurred by Landlord in connection therewith. If the cost of any repairs required to be made by Tenant pursuant to this subparagraph 14(b) shall exceed the amount of the Net Award, the deficiency shall be paid be Tenant. Notwithstanding anything herein to the contrary, no payments shall be made to Tenant pursuant to this subparagraph 14(b) if any continuing monetary default by Tenant hereunder or any Event of Default is then continuing.

(c) For the purposes of this Lease the term "NET AWARD" shall mean: (i) all amounts payable as a result of any condemnation or other eminent domain proceeding, less all reasonable expenses for such proceeding not otherwise paid by Tenant in the collection of such amounts (including without limitation, all reasonable costs and expenses (including reasonable counsel fees and expenses) incurred by Landlord and a first Mortgagee in participating in any condemnation or eminent domain proceedings) plus (ii) all amounts payable pursuant to any agreement with any condemning authority (which agreement shall be deemed to be a taking) which has been made in settlement of or under threat of any condemnation or other eminent domain proceeding affecting the Premises, less all reasonable expenses incurred as a result thereof not otherwise paid by Tenant in the collection of such amounts (including without limitation, all reasonable costs

and expenses (including reasonable counsel fees and expenses) incurred by Landlord in participating in any condemnation or eminent domain proceedings).

15. TERMINATION OF LEASE FOLLOWING CONDEMNATION OR SUBSTANTIAL CASUALTY.

(a) If a condemnation (other than a temporary taking) or a casualty shall affect all or a substantial portion of the Premises and shall render the Premises unsuitable for continued use and occupancy in Tenant's business, and in the case of a casualty, the Premises cannot be restored within two hundred seventy (270) days after the date on which the Premises is available to Tenant to begin such restoration, then Tenant may at its option (but Tenant shall, if such condemnation affects all or substantially all of the Premises) deliver to Landlord, not later than thirty (30) days after the date of such condemnation or ninety (90) days after the date of such casualty, as applicable, the following documents:

(i) Notice (a "TERMINATION NOTICE") of its intention to terminate this Lease on the next rental payment date which occurs not less than sixty (60) days after the delivery of such notice (the "TERMINATION DATE").

(ii) A certificate of an authorized officer of Tenant describing the event giving rise to such termination and stating that Tenant has determined, in Tenant's reasonable and good faith judgment, that such condemnation or casualty has rendered the Premises unsuitable for restoration for continued use and occupancy in Tenant's business.

(iii) In the case of a casualty, the certificate of an architect licensed in the state in which the Premises is located stating that the architect has determined, in his or her good faith judgment, that the Premises cannot be restored for continued use and occupancy in Tenant's business within two hundred seventy (270) days after the date the Premises is available to Tenant to commence such restoration.

(iv) In the case of a casualty, if the Termination Notice is given by Tenant prior to the final adjustment and payment of the casualty insurance claims with respect to the Premises, an assignment from Tenant, in form and substance reasonable acceptable to Landlord and acknowledged by the insurers, of all insurance proceeds.

(v) In the case of condemnation, an assignment from Tenant, in form and substance reasonably acceptable to Landlord and acknowledged by the condemning authority, of all condemnation awards (except as provided in the proviso in the proviso at the end of the first sentence in subparagraph 14(a)).

(vi) If the Termination Date is a date within the Primary Term, an

irrevocable offer ("C/C PURCHASE OFFER") by Tenant to Landlord to purchase the Premises on the Termination Date.

(b) If either (A) Landlord shall reject the C/C Purchase Offer by written notice given to Tenant not later than fifteen (15) days prior to the Termination Date or (B) the Termination Date occurs during any Extended Term, this Lease shall terminate on the

Termination Date, except with respect to obligations and liabilities of Tenant or Landlord hereunder, actual or contingent, which have arisen on or prior to the Termination Date, upon payment by Tenant of all Basic Rent and Additional Rent and other sums then due and payable hereunder to and including the Termination Date and the Net Award or all applicable insurance proceeds, as the case may be, shall belong to Landlord (except as provided in the proviso at the end of the first sentence in subparagraph 14(a)). Tenant shall, on or before the Termination Date, (C) execute and deliver to Landlord an outright assignment of such award or proceeds in form and substance reasonably acceptable to Landlord, and (D) pay Landlord the amount of any insurance deductible or self-insured amount. Unless Landlord shall have rejected the C/C Purchase Offer in accordance with this Paragraph 15 (which rejection, to be effective, must be accompanied by the written notice of the first Mortgagee to the effect that it consents to such rejection), Landlord shall be conclusively considered to have accepted the C/C Purchase Offer. In the event Landlord accepts the C/C Purchase Offer, then on the Termination Date, (1) Tenant shall pay to Landlord a purchase price determined pursuant to EXHIBIT 15-1 attached hereto (provided, however, if Landlord has received and retained net casualty insurance proceeds stemming from such casualty pursuant to subparagraph 13(b) above or Landlord has received and retained the Net Award stemming from such condemnation, and does not deliver such net casualty insurance proceeds or Net Award, as applicable, to Tenant at or before such purchase of the Premises by Tenant, then the purchase price shall be reduced by the amount of such net casualty insurance proceeds or Net Award, as applicable, received and retained by Landlord), (2) Landlord shall convey to Tenant or its designee the Premises and (3) Landlord shall assign to Tenant or its designee all of Landlord's interest in the Net Award or insurance proceeds, as applicable, in form and substance reasonably acceptable to Tenant. Such sale shall otherwise be consummated in accordance with EXHIBIT 15-2 attached hereto. In the event Tenant fails to deliver the items specified in this Paragraph 15 strictly in accordance with the time deadlines set forth in this Paragraph 15, and (except as to the items described in clauses (i), (ii) and (iii) of subparagraph 15(a) above, as to which there is no notice or cure period) said failure continues for more than five (5) business days following written notice thereof to Tenant from Landlord, then, at Landlord's election (which election in order to be effective must be accompanied by the written notice of first Mortgagee to the effect that such first Mortgagee also makes such election), Tenant shall have no right to terminate this Lease and the Lease will continue in full force

and effect.

16. ASSIGNMENT AND SUBLETTING.

Provided no Event of Default is then continuing, Tenant may sublet all or any part of the Premises (provided, that each such sublease shall expressly be made subject to the provisions of this Lease, including Paragraph 3) and may assign all its rights and interests under this Lease without Landlord's prior consent, except as may be required below in this Paragraph 16. If Tenant assigns all its rights and interests under this Lease, the assignee under such assignment shall expressly assume all the obligations of Tenant hereunder in an instrument, approved by Landlord as to form and substance (which approval will not be unreasonably withheld, conditioned or delayed) and delivered to Landlord at the time of such assignment. No

assignment or sublease made as permitted by this Paragraph 16 shall affect or reduce any of the obligations of Tenant hereunder and the Tenant shall remain unconditionally liable, and all such obligations shall continue in full force and effect as obligations of a principal and not as obligations of a guarantor or surety, to the same extent as though no assignment or subletting had been made; provided that performance by any such assignee or sublessee of any of the obligations of Tenant under this Lease shall be deemed to be performance by Tenant. No sublease or assignment made as permitted by this Paragraph 16 shall impose any obligations on Landlord or otherwise affect any of the rights of Landlord under this Lease. Subject to Paragraph 11 above, neither this Lease nor the Term hereby demised shall be mortgaged, pledged or hypothecated by Tenant, nor shall Tenant mortgage or pledge the interest of Tenant in and to any sublease of the Premises or the rentals payable thereunder. Any mortgage, pledge, sublease or assignment made in violation of this Paragraph 16 shall be void. Tenant shall, within ten (10) days after the execution and delivery of any such assignment or sublease of all or substantially all of the Premises, deliver a conformed copy thereof to Landlord. Within ten (10) days after the execution and delivery of any sublease of a portion of the Premises, Tenant shall give notice to Landlord of the existence and term thereof, and of the name and address of the sublessee thereunder. Notwithstanding the foregoing provisions of this Paragraph 16 to the contrary, Tenant shall not, without the prior written consent (which consent, to be effective, must expressly state Landlord is aware that the subject assignee or subtenant, as the case may be, is a tax-exempt entity) of Landlord in each instance (which Landlord may grant or withhold in its sole discretion), assign all or any part of its interest in this Lease or sublet all or any part of the Premises, or in any other manner grant any right to use, occupy or otherwise "lease" (within the meaning of Section 168(h) of the Internal Revenue Code of 1986, as amended (the "CODE"), or any successor section thereof or of any successor statute, which pertains to matters addressed in Section 168(h) ("SECTION 168(h)")) all or any part of the Premises, to any "tax-exempt entity," as defined in Section 168(h), to the extent that the aggregate portion of the Premises sublet, assigned, used,

occupied or "leased" by all such tax-exempt entities shall be more than 35% (or such lessor or greater percentage as may be specified in clause (1)(B)(iii) of Section 168(h) or any successor clause which specifies such a percentage) of the Premises. Tenant agrees that any assignment or subletting made in violation of the foregoing sentence will be deemed initially void, and Tenant acknowledges that, notwithstanding such voiding, Landlord may incur damages as a result of such violations and Tenant agrees to indemnify Landlord with respect to any such damages or claims in respect thereof, including reasonable attorneys' fees. In no event shall the term of a sublease of all or part of the Premises extend beyond the last day of the then scheduled end of the Term of this Lease. Tenant hereby irrevocably, absolutely and unconditionally assigns, and grants a security interest in, all rents and other sums of money payable under any sublease of any part or all of the Premises. Further, Landlord shall have the right to collect and enjoy all such rents and money; provided, however, Tenant is hereby granted a license to collect and enjoy such rents and money, except when an Event of Default shall be continuing under this Lease. Tenant shall execute such financing statements as Landlord may reasonably request to perfect the foregoing assignment as a security interest.

17. INTENTIONALLY OMITTED.

18. FINANCIAL STATEMENTS.

Tenant will deliver to Landlord and each Mortgagee copies of all 8-K, 10-K and 10-Q reports filed with the Securities and Exchange Commission ("SEC") by Tenant, in each case within fifteen (15) days following delivery to the SEC; provided, however, that if Tenant does not file such reports with the SEC, Tenant will deliver to Landlord and each Mortgagee the following:

(a) QUARTERLY STATEMENTS. Within sixty (60) days after the end of each quarterly fiscal period (except the last) in each fiscal year of Tenant, duplicate copies of:

(i) a consolidated balance sheet of Tenant and its consolidated subsidiaries as at the end of such quarter,

(ii) a consolidated statement of profits and losses of Tenant and its consolidated subsidiaries for the current quarter and the portion of the fiscal year ending with such quarter, and

(iii) a consolidated statement of cash flows of Tenant and its consolidated subsidiaries for the portion of the fiscal year ending with the current quarter;

setting forth in each case in comparative for the figures for the corresponding periods a year earlier, all in reasonable detail and certified as having been prepared in accordance with generally accepted accounting principles

consistently applied and certified as complete and correct by a senior financial officer of Tenant;

(b) ANNUAL STATEMENTS. Within ninety (90) days after the end of each fiscal year of Tenant, duplicate copies of:

(i) A consolidated balance sheet of Tenant and its consolidated subsidiaries as at the end of such year,

(ii) consolidated statements of profits and losses of Tenant and its consolidated subsidiaries for such year, and

(iii) a consolidated statement of cash flows of Tenant and its consolidated subsidiaries for such year;

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable details and accompanied by the report thereon, containing an opinion unqualified as to limitations imposed by Tenant on the scope of the audit, of a firm of independent certified public accountants of recognized national standing selected by Tenant which opinion shall state that the consolidated financial statements of Tenant and its consolidated subsidiaries fairly present the financial condition of the companies (including the results of their operations and

changes in financial position) being reported upon, have been prepared in accordance with generally accepted accounting principles consistently applied and that the examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

(c) ADDITIONAL INFORMATION. With reasonable promptness, Tenant will provide Landlord and any Mortgagee such additional financial statements and information regarding the business affairs and financial condition of Tenant as Landlord and such Mortgagee may reasonably request; provided, Tenant shall not be required to generate financial statements under this sentence which it does not otherwise generate for some other purpose (including internal purposes). In addition, Tenant shall submit to Landlord copies of all financial information submitted by Tenant to its institutional lenders, bondholders and other institutional investors as and when such information is delivered to such other parties. Upon the prior written request of Landlord or any Mortgagee, but not more frequently than once per calendar year, Tenant shall cause a senior financial officer of Tenant to meet at Tenant's offices with representatives of Landlord or Mortgagee to discuss the business and financial affairs of Tenant and the financial statements and other information submitted by Tenant to Landlord pursuant to this Lease. Notwithstanding the foregoing provisions of

subparagraphs 18(a) and (b) to the contrary, in the event the original Tenant assigns its interest in this Lease, then the quarterly and annual financial statements and reports described in subparagraphs 18(a) and (b) will also be required of the then Tenant, in addition to the original Tenant.

(d) FAILURE TO TIMELY DELIVER. If Tenant fails to timely deliver to Landlord and/or Mortgagee, as applicable, any of the financial statements, certificates and other reports or information required under this Paragraph 18, and such default continues for thirty (30) days, then provided Landlord has given Tenant at least fifteen (15) days written notice of such failure to timely deliver, then at Landlord's option and in its sole discretion, Tenant shall pay Landlord a fee in the amount of five thousand dollars ($5,000.00). Said fee shall be in addition to, and not in substitution for, any and all other remedies otherwise available to Landlord as a result of such a default.

19. PERMITTED CONTESTS.

So long as no Event of Default is then continuing, Tenant shall not be required to (i) pay any Imposition (as hereinafter defined); (ii) comply with any Legal Requirements, including without limitation any requirements (whether imposed by a governmental entity or any other party other than Landlord or a Mortgagee) with respect to remediation of Hazardous Materials; (iii) discharge or remove any lien, encumbrance or charge or (iv) obtain any waivers or settlements or make any changes to take any action with respect to any encroachment, hindrance, obstruction, violation or impairment referred to in subparagraph 10(b), so long as Tenant shall contest, in good faith and at its expense, the existence, the amount or the validity thereof, the amount of the damages caused thereby, or the extent of its liability therefor, by

appropriate proceedings provided that (A) during the pendency of the contest there is prevented (1) the collection of, or other realization upon, the tax, assessment, levy, fee, rent or charge or lien, encumbrance or charge so contested (or in the alternative, Tenant pays the full amount in dispute under protest); (2) the sale, forfeiture or loss of the Premises, or any part thereof, or the Basic Rent or any Additional Rent, or any portion thereof; and (3) any interference with the payment of the Basic Rent or any Additional Rent, or any portion thereof; and (3) any interference with the payment of the Basic Rent or any Additional Rent, or any portion thereof, (B) if the amount of the lien, encumbrance or charge in question exceeds Two Hundred Fifty Thousand Dollars ($250,000), Tenant provides to Landlord and any Mortgagee such security against any such lien, encumbrance or charge as Landlord or any Mortgagee shall reasonably request and (C) such contest shall not subject Landlord or any Mortgagee to the risk of any criminal liability. Landlord acknowledges and agrees that Tenant shall have the right to contest any Imposition, subject to the provisions of clauses (A), (B) and (C) of the immediately preceding sentence. While any such proceedings are pending, so long as all of the foregoing conditions continue to be met, Landlord shall not pay, remove or cause

to be discharged the tax, assessment, levy, fee, rent or charge or lien, encumbrance or charge thereby being contested. Tenant further agrees that each such contest shall be diligently prosecuted to a final conclusion. Landlord shall use reasonable efforts, at Tenant's sole expense, to cooperate with Tenant in order for Tenant to prosecute such a contest, including without limitation, executing such documents in connection with such a contest as Tenant may reasonably request which impose no liability on Landlord. Tenant shall pay, indemnify, defend (with counsel reasonably acceptable to Landlord and any first Mortgagee) and hold harmless the Indemnified Parties against, any and all losses, judgments, decrees and costs (including all reasonable attorneys' fees and expenses) in connection with any such contest and shall, promptly after the final settlement, compromise or determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together will all penalties, fines, interests, costs and expenses thereof or in connection therewith, and perform all acts, the performance of which shall be ordered or decreed as a result thereof.

20. DEFAULT PROVISIONS.

(a) Any of the following occurrences or acts shall constitute an event of default (herein called an "EVENT OF DEFAULT") under this Lease:

(i) If Tenant, at any time during the continuance of this Lease (and regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceedings, at law, in equity, or before any administrative tribunal, which have or might have the effect of preventing Tenant from complying with the terms of this Lease), shall (A) fail to make any payment when due of Basic Rent or Additional Rent and such failure continues for five (5) days after written notice to Tenant thereof, or (B) fail to observe or perform any other provision hereof for thirty (30) days after written notice to Tenant of such failure has been given, provided, that in the case of any default referred to in this Lease which is reasonably susceptible of cure but cannot with diligence reasonably be cured within such 30-day period, then upon receipt by Landlord of a certificate of Tenant signed by an

officer of Tenant stating the reason such default cannot be cured within thirty (30) days, describing the efforts being undertaken by Tenant to cure such default and reasonably estimating the cure period and provided that Tenant is proceeding with due diligence to cure such default, the time within which such failure may be cured shall be extended for such period as may be necessary to complete the curing of the same with continuous, good faith due diligence (provided further that Tenant shall provide Landlord with an update of such original certificate, signed by an officer of Tenant, upon Landlord's request, which update shall include a reasonably detailed description of what Tenant is continuing to do and what Tenant has then accomplished, and a

reasonable estimate of how long it will take to complete the cure); or

(ii) If any material representation or warranty of Tenant set forth in any notice, certificate, demand, request or other instrument delivered pursuant to, or in connection with, this Lease shall prove to be either false or misleading in any material respect as of the time when the same shall have been made; or

(iii) If Tenant shall file a petition commencing a voluntary case under the Federal Bankruptcy Code or any other federal or state law (as now or hereafter in effect) relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called "BANKRUPTCY LAW") or if Tenant shall (A) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee, United States Trustee or liquidator (or other similar official) of the Premises or any part thereof or of any substantial portion of Tenant's property, or (B) generally not pay its debts as they become due, or admit in writing its inability to pay its debts generally as they become due or (C) make a general assignment for the benefit of its creditors, or (D) fail to controvert in timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against Tenant or otherwise filed against Tenant pursuant to any Bankruptcy Law, or (E) take any significant action in furtherance of any of the foregoing; or

(iv) If any order for relief against Tenant shall be entered in any involuntary case under the Federal Bankruptcy Code or any similar order against Tenant shall be entered pursuant to any other Bankruptcy Law, or if a petition commencing an involuntary case against Tenant or proposing the reorganization of Tenant under any Bankruptcy Law shall be filed and not be discharged or denied within sixty (60) days after such filing, or if a proceeding or case shall be commenced in any court of competent jurisdiction seeking (A) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of Tenant, or (B) the appointment of a receiver, custodian, trustee, United States Trustee or liquidator (or any similar official) of the Premises or any part thereof or of Tenant or of any substantial portion of Tenant's property, or (C) any similar relief as to Tenant pursuant to any Bankruptcy Law, and any such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for sixty (60) days; or

(v) Tenant shall be in default with respect to any obligations for borrowed money under which an aggregate principal amount of Twenty-Five Million Dollars ($25,000,000) or more is then outstanding or under any agreement securing or relating to such borrowed money, and a lender with respect thereto has either accelerated the debt or exercised any other remedy with respect to such default; provided that the foregoing shall not

constitute an Event of Default unless and until Tenant shall not have, within thirty (30) days thereafter (A) caused such obligation to be paid in full or (B) cured such default.

(b) If an Event of Default shall have happened and be continuing, Landlord shall have, in its sole discretion, the following rights:

(i) To give Tenant at least one (1) days' written notice of Landlord's intention to terminate the Term of this Lease on a date specified in such notice. Thereupon, the Term of this Lease and the estate hereby granted shall terminate on such date as completely and with the same effect as if such date were the date fixed herein for the expiration of the term of this Lease, and all rights of Tenant hereunder shall terminate, but Tenant shall remain liable as provided herein.

(ii) To (A) re-enter and repossess the Premises or any part thereof by force, summary proceedings, ejections or otherwise and (B) remove all persons and property therefrom, whether or not the Lease has been terminated pursuant to clause (i) above, Tenant hereby expressly waiving any and all notices to quit, cure or vacate provided by current or any future law, to the extent permitted by any such law. Landlord shall have no liability by reason of any such re-entry, repossession or removal. No such re-entry or taking of possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate the Term of this Lease unless a written notice of such intention by given to Tenant pursuant to clause (i) above.

(iii) To use reasonable efforts to relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord or otherwise, without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions (which may include concessions or free rent) and for such uses Landlord, in its absolute discretion, may determine; provided Landlord shall not be required to make any effort to relet the Premises except as required by applicable law. Landlord may collect and receive any rents payable by reason of such reletting. Landlord shall not be responsible or liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon any such reletting.

(iv) In the event of re-entry or repossession of the Premises or removal of persons or property therefrom by reason of the occurrence of an Event of Default, Tenant shall pay to Landlord all Basic Rent and Additional Rent, in each case to and including the date of such re-entry, repossession or removal; and, thereafter, until the Term has expired or has been terminated, Tenant shall, whether or not the Premises shall have been relet, be liable

to Landlord for, and shall pay to Landlord, as liquidated and agreed current damages (A) all Basic Rent and all Additional Rent as and when such amounts would be payable under this Lease by Tenant in the absence of any such re-entry, repossession or removal, together with all reasonable expenses of Landlord in connection with such reletting efforts, if any (including, without limitation, all repossession costs, brokerage commissions, reasonable attorneys' fees and expenses, employee's expenses, alteration costs and expenses of preparation for such reletting), less (B) the net proceeds, if any, of any reletting effected for the account of Tenant pursuant to subparagraph 20(b)(iii) above; provided, however, if Landlord fails to make such efforts as may be required under applicable law, if any, to relet the Premises, then the damages calculated under this sentence may be reduced by a court of competent jurisdiction to take into account the effect of such failure by Landlord. Notwithstanding the foregoing, in the event any such reletting is for a term longer than the balance of the Term, Tenant shall be responsible for only a proportionate part of the expenses based on the balance of the Term as compared to the fixed minimum term of the reletting. Tenant shall pay such liquidated and agreed current damages on the dates on which Rent would be payable under this Lease in the absence of such re-entry, repossession or removal, and Landlord shall be entitled to recover the same from Tenant on each such date.

(v) In the event of the termination of the Term by reason of the occurrence of an Event of Default, whether or not Landlord shall have collected any damages pursuant to clause (iv) above with respect to the period prior to such termination, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord on demand, as and for liquidated and agreed final damages for Tenant's default and in lieu of all liquidated and agreed current damages in respect of Basic Rent and Additional Rent due beyond the date of such termination (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the sum of (A) the excess, if any, of (I) the aggregate of all Basic Rent and Additional Rent, in each case from the date of such termination for what is or would have been, in the absence of such termination, the then unexpired Term, discounted on a monthly basis at the then quoted semi-annual yields (which shall be converted to monthly yields) on U.S. Treasury securities maturing nearest the end of the Term (as if no termination had occurred) (the "DISCOUNT RATE") over (II) the then fair rental value of the Premises for the same period, discounted on a monthly basis at the Discount Rate, plus (B) the amount of all Prepayment Premiums (as defined in EXHIBIT 15-2)) which may be payable to any Mortgagee due to a default or required prepayment under any Mortgage (or under any other loan document entered into in connection with or pursuant to such Mortgage) which results from such Event of Default or termination of the Lease, plus (C) Landlord's other actual, reasonable expenses incurred as a result of such Event of Default. If any applicable law shall limit the amount of liquidated final damages to less than the foregoing amount, Landlord shall be entitled to the maximum amount allowable under such law. In no event will Landlord be obligated to pay any amount to Tenant or otherwise account to Tenant if the amount specified in clause (A)(II) of this subparagraph 20(b)(v) is greater than the amount

specified in clause (A)(I) of this subparagraph 20(b)(v). Tenant agrees that the credit

provided to Tenant under clause (A)(II) of this subparagraph 20(b)(v) shall fulfill any obligation imposed by law on Landlord to mitigate its damages.

(vi) To accept Tenant's irrevocable purchase offer to purchase the Premises which Tenant shall be conclusively presumed to have made at the price determined pursuant to EXHIBIT 15-1 upon the occurrence of an Event of Default (the "DEFAULT PURCHASE OFFER"). The Default Purchase Offer shall be deemed to contain a closing date of sixty (60) days following the Event of Default and the purchase shall be governed by the terms and conditions set forth in EXHIBIT 15-2.

(c) No termination of this Lease pursuant to subparagraph 20(b)(i), by operation of law or otherwise, and no repossession of the Premises or any part thereof pursuant to subparagraph 20(b)(ii) or otherwise, and no reletting of the Premises or any part thereof pursuant to subparagraph 20(b)(iii), and no payment of any amounts by Tenant under subparagraph 20(b) or the exercise by Landlord of any of its other rights under subparagraph 20(b) shall relieve Tenant of either (i) its unpaid or unperformed liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession, reletting or purchase or (ii) any unpaid or unperformed liabilities and obligations under this Lease which by express provision of this Lease survive such expiration, termination, repossession, reletting or purchase.

21. ADDITIONAL RIGHTS OF LANDLORD.

(a) The rights and remedies set forth in subparagraph 20(b) may be exercised in any order and in any combination whatsoever. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other, right or remedy given hereunder or now or hereafter existing at law or in equity. The failure of Landlord to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future. A receipt by Landlord of any Basic Rent, any Additional Rent or any other sum payable hereunder with knowledge of the breach of any covenant or agreement contained in this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provision of this Lease, or to decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity.

(b) Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right or privilege which it or any of them may have under any present or future constitution, statute or rule of law to redeem the

Premises or to have a continuance of this Lease for the Term hereby demised after termination of Tenant's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease or after the termination of the Term of this Lease as herein provided, and (ii) the benefits of any present or future constitution, statute or rule of law which exempts property from liability for debt or for distress for rent.

(c) Tenant shall promptly (upon receipt of any invoices therefor) reimburse Landlord and each Mortgagee for any reasonable costs and expenses it incurs in connection with any consents, approvals, waivers or amendments requested by Tenant of Landlord and/or any Mortgagee or otherwise required under or in connection with this Lease. If reasonably practical, Landlord shall use such outside consultants (other than attorneys) as Mortgagee uses hereunder, in order to minimize Tenant's costs hereunder.

22. NOTICES, DEMANDS AND OTHER INSTRUMENTS.

All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been properly given if sent by overnight express courier (in which event they shall be deemed delivered on the next business day), or delivered by hand (in which event they shall be deemed delivered on the date of actual delivery or refusal to accept delivery), addressed as follows:

If to Tenant:	Perry Judd's Holdings, Inc. 575 West Madison Street Waterloo, Wisconsin 53594 Attention: Craig Hutchinson Facsimile: (920) 478-1848
With a copy to:	Liner, Yankelevitz, Sunshine, Weinhart & Regenstreif 3130 Wilshire Boulevard 2nd Floor Santa Monica, California 90403 Attention: Mitchell Regenstreif, Esq. Facsimile: (310) 453-5901
And with a copy to:	The Milhous Group

1160 Nicole Court
Glendora, California 91740
Attention: Tom Bressan
Facsimile: (909) 599-2390

If to Landlord:	1323 Greenwood, L.L.C. c/o Mesirow Realty Sale-Leaseback, Inc. 350 North Clark Street Suite 300 Chicago, Illinois 60610 Attention: Garry W. Cohen
With a copy to:	Mesirow Realty Sale-Leaseback, Inc. 8211 West Broward Boulevard Suite 370 Plantation, Florida 33324 Attention: Gregg A. Fox
With a copy to:	Goldberg, Kohn, Bell, Black, Rosenbloom & Moritz, Ltd. 55 East Monroe Street Suite 3700 Chicago, Illinois 60603 Attention: Gary N. Ruben

Landlord and Tenant shall each have the right from time to time to specify as its address for purposes of this Lease any other address in the United States of America upon fifteen (15) days written notice thereof, similarly given, to the other party. To be effective, copies of all notices to Landlord must be given to any first Mortgagee of which Tenant has received notice pursuant to Paragraph 24 hereof at the address and/or fax number specified by such first Mortgagee.

23. TRANSFER BY LANDLORD.

(a) Landlord shall be free to transfer its fee interest in the Premises or any part thereof or interest therein, subject, however, to the terms of this Paragraph 23. Landlord shall be released from the responsibility for the performance of any liabilities and obligations which shall arise under the terms, covenants and conditions of this Lease subsequent to the date of any such permitted transfer. In no event shall a transfer or sale of Landlord's interest under any of the provisions of this Paragraph be binding upon Tenant until Tenant has received a copy of the original instrument assigning Landlord's interest in this Lease. Such instrument shall evidence the fact that such assignee or transferee has assumed full and complete liability for all future obligations and responsibilities of Landlord, which will arise under, out of and/or in connection with this Lease from and after the effective date of such assignment or transfer. In the event that Landlord transfers its interest in

this Lease, Tenant agrees to attorn to such assignee or transferee with respect to Tenant's obligations under this Lease so long as such assignee or transferee recognizes Tenant's rights under this Lease. Notwithstanding the foregoing provisions of this subparagraph 23(a) to the contrary, Landlord shall not transfer its fee interest in the Premises, nor shall the ownership interests in Landlord be transferred, to an entity (other than a Mortgagee or other secured lender or its

designee, a purchaser at a foreclosure or a purchaser accepting a deed in lieu of foreclosure, or a real estate investment trust or other real estate company of any kind, or a pension plan or fund or other tax exempt entity, or a financial institution or insurance company) unless such entity has represented in writing to Landlord and Tenant that such entity does not have as its primary Standard Industrial Classification Code ("SIC CODE") 2721 (the "PROHIBITED SIC CODE"). By written notice to Landlord, Tenant may substitute (but not add) a different SIC Code category or group for the Prohibited SIC Code, provided that (A) not more than one such substitution shall be made within any five (5)-year period, (B) no such substitution shall preclude a transfer to a real estate investment trust or other real estate company of any kind, or to a pension plan or fund or other tax exempt entity, or to a financial institution or insurance company, (C) any such substituted category or group shall be a business in which Tenant or an Affiliate of Tenant is then engaged or proposing to engage, and (D) the substitution shall be effective for the purposes if this Paragraph 23 on the date Landlord receives written notice thereof from Tenant, provided, however, with respect to any Person which Landlord (or the owners of Landlord) has contacted about a proposed transfer of the Premises (or ownership interests in Landlord), whether orally, in writing, electronically or otherwise, prior to receipt of such notice by Landlord, then such substitution shall not become effective with regard to such Person (or its affiliates) until six (6) months after Landlord receives such written notice, and provided, further, that if during such six(6)-month period Landlord (or the owners of Landlord) enters into a contract for transfer with any such Person (or its affiliates), then such substitution will not be effective as to the transferee named in such contract if a closing under such contract (as it may be amended) occurs. Tenant shall respond in writing to any inquiries from Landlord within fifteen (15) days from receipt of any inquiry as to the propriety of a sale to an identified prospective purchaser pursuant to this subparagraph 23(a). Any such prospective purchaser identified by Landlord in good faith in any such inquiry as not having as its primary SIC Code the Prohibited SIC Code, which assertion is not contested in good faith in a written notice by Tenant to Landlord within such fifteen (15)-day period following such inquiry by Landlord, shall be considered a permitted transferee under this subparagraph 23(a) until the later of: (x) the date which is six (6) months after (I) the date of receipt by Landlord of Tenant's response to such inquiry, or (II) the date of expiration of such fifteen (15)-day period as to any such inquiry to which Tenant fails to timely respond, or (y) if Landlord (or the owners of

Landlord) enters into a contract for transfer within such six (6) month period, the date such contract for transfer is closed, terminated or expires (taking into account any extensions of such expiry date).

(b) If, during the Term, Landlord intends to sell the Premises, Landlord shall give Tenant written notice thereof which shall include a proposed purchase price for the Premises (the "SALE NOTICE"). So long as no Event of Default has occurred and is continuing, Tenant shall have the right to purchase Landlord's entire interest in the Premises (but not less than such entire interest) upon the same terms and conditions set forth in the Sale Notice and this subparagraph 23(b), which right shall be exercised, if at all, only by giving Landlord written notice thereof (the "TENANT'S PURCHASE NOTICE") within fifteen (15) business days after Tenant's receipt of the Sale Notice. Upon giving the Tenant's Purchase Notice to

Landlord, Tenant shall be obligated to purchase Landlord's interest in the Premises at the price and on the terms and conditions set forth in the Sale Notice and this subparagraph 23(b), such purchase to be consummated as soon as is reasonable but in any event within ninety (90) days after the Tenant's Purchase Notice is received by Landlord. The provisions of EXHIBIT 15-2 shall be applicable to such a purchase as if the purchase was occurring pursuant to Paragraph 15, except that (i) the purchase price shall be as set forth in the Sale Notice and (ii) the expenses of sale shall be shared equally, other than attorney's fees as to which each party shall pay its own counsel. The foregoing provisions of this subparagraph 23(b) shall not apply to the sale by Landlord to any Affiliate of Landlord or any Affiliate of any partner, shareholder, member or beneficiary of Landlord, but any such Affiliate shall remain subject to the provisions of this subparagraph 23(b). If Tenant fails to give Landlord Tenant's Purchase Notice within said fifteen (15) business day period or if Tenant otherwise fails to comply with the provisions of this subparagraph 23(b), time being of the essence herein, Landlord shall not be obligated to sell in its interest in the Premises to Tenant and Landlord, so long as it shall have strictly complied with the provisions hereof, shall be free to transfer its interest in the Premises to any Person permitted under subparagraph 23(a) so long as the purchase price of Landlord's interest in the Premises is not less than ninety-two percent (92%) of the purchase price set forth in the Sale Notice, and the sale does not include Landlord financing or any substantial capital markets accommodation by Landlord.

24. MORTGAGING BY LANDLORD.

Notwithstanding any provision of Paragraph 23 to the contrary, Landlord shall be free to grant one or more mortgages, deeds of trust or like security interest in the Premises and this Lease (individually a "MORTGAGE") to one or more mortgagees, deed of trust trustees or other grantees (individually, together with each holder of any note secured thereby, a "MORTGAGEE") on the condition that either (a) this Lease shall be superior to

the Mortgage, or (b) if this Lease is to be subordinate to the Mortgage, Tenant receives from the Mortgagee a nondisturbance agreement reasonably acceptable to Tenant, provided that in no event shall this Lease be subordinated to a junior mortgage and any attempted subordination of this Lease to a junior mortgage shall, at the option of the first Mortgagee, be void and of no effect. Tenant agrees to attorn, upon the terms of this Lease, at the request of any Mortgagee, to such Mortgagee of other transferee upon a transfer of title by reason of foreclosure of such Mortgage or deed in lieu of foreclosure thereof. No such transfer shall be effective as to Tenant until Tenant receives written notice thereof and a copy of the deed or other instrument evidencing such transfer. In connection with any proposed transfer, pledge or mortgage of Landlord's fee interest in the Premises or any portion of the ownership interests in Landlord, Tenant shall, within fifteen (15) days after Landlord's written request therefor, provide Landlord and the proposed transferee and/or Mortgagee with confirmation in writing that Tenant shall recognize such transferee and Mortgagee as such in the event of the consummation of the transaction described in such notice.

Without limiting the generality of the foregoing, at the written direction of Landlord, Tenant shall agree in writing in respect of a first Mortgage for the benefit of the

Mortgagee thereunder that (i) the Mortgagee is a direct assignee of Landlord's interest under this Lease and (ii) that until said Mortgage has been released of record, all payments of Basic Rent and Additional Rent (including any payments in respect of a conveyance of the Premises to Tenant pursuant to Paragraph 15 of subparagraph 21(b)(vi)) are to be made as set forth in said direction and no subsequent direction by Landlord shall be honored by Tenant until said Mortgage has been released of record unless the Mortgagee consents in writing to such subsequent direction, election or approval. Any Mortgagee which becomes an assignee of Landlord's interest in this Lease, whether by foreclosure of a Mortgage or pursuant to a deed in lieu thereof, or any successor of such assignee, shall not be obligated to perform any duty, covenant or condition required to be performed by Landlord under any of the terms hereof (except for obligations that arise on and after such time as the Mortgagee shall obtain title to the Premises following foreclosure or deed in lieu of foreclosure), but on the contrary, Tenant and Landlord, by their respective executions hereof each acknowledge and agree that notwithstanding any such assignment each and all of such duties, covenants or conditions required to be performed by Landlord shall survive any such assignment and shall be and remain the sole liability of Landlord. Subject to the prior sentence, any transferee of Landlord's interest which acquires such interest from a Mortgagee, and any purchaser of such interest at a foreclosure sale in respect of a Mortgage (or transferee of a deed in lieu of such a foreclosure), shall not be obligated to any duty, covenant or condition required to be performed by Landlord under any of the terms hereof, which obligation arises prior to said transferee's or purchaser's acquisition of Landlord's interest under this Lease, shall not otherwise be liable for

the defaults of any prior Landlord hereunder and shall not be obligated to account for or be subject to any offset in respect of any payment of rent made more than thirty (30) days in advance of the due date thereof unless and then only to the extent such rental payment is actually received by such Mortgagee or transferee. Without limiting the foregoing, Tenant acknowledges and agrees that the rights of all such assignees, purchasers and transferees in and to Basic Rent and Additional Rent shall not be subject to any abatement whatsoever, or be subject to any defense, setoff, counterclaim or recoupment or reduction of any kind by reason of any event or circumstance which occurred prior to the date upon which any such assignee, purchaser or transferee obtained title to the Premises or the Landlord's interest in this Lease. Tenant shall pay when due all reasonable fees and expenses of any Mortgagee and its attorneys which are payable by Landlord pursuant to the terms of the Mortgage and which arise by reason of any Event of Default under this Lease or any request by Tenant for any amendment or modification of, or waiver or consent relating to, the terms of this Lease, any assignment or subletting or otherwise affecting the Premises.

25. ESTOPPEL CERTIFICATES.

(a) Tenant shall at any time and from time to time, upon not less than ten (10) days prior request by Landlord or any Mortgagee, execute, acknowledge and deliver to such requesting party executed Tenant's Certificates substantially in the forms attached hereto as EXHIBITS 25-1 AND 25-2; provided, either such certificate may be amended by adding thereto Tenant's certification as to other factually correct information pertaining to this Lease as may be reasonably requested by Landlord or any Mortgagee. Any such

certificate may be relied upon by any Mortgagee, prospective purchaser or prospective Mortgagee of the Premises.

(b) Landlord shall at any time and from time to time, upon not less than ten (10) days prior request by Tenant, execute, acknowledge and deliver to Tenant (or as Tenant may reasonably direct), a certificate providing for factually correct information pertaining to this Lease as reasonably requested by Tenant, including, without limitation, whether to Landlord's actual knowledge Tenant is then in default hereunder, the last dates and amounts of Rent paid hereunder and the dates of any modifications to this Lease. Such certificates may be relied upon by the parties to whom Tenant requests that they be addressed, including Tenant's lenders or a potential purchaser of Tenant.

26. NO MERGER.

There shall be no merger of this Lease or the leasehold estate hereby created with the fee estate in the Premises or any part thereof by reason of the same person acquiring or holding, directly or indirectly, this

Lease or the leasehold estate hereby created or any interest in this Lease or in such leaseholder estate as well as the fee estate in the Premises or any portion thereof.

27. SURRENDER.

Upon the termination of this Lease, Tenant shall peaceably surrender the Premises to Landlord in the condition in which the Premises is to be kept under the other provisions of this Lease, including without limitation, Paragraph 10. Tenant shall, at Tenant's expense, remove from the Premises prior to such termination all property not owned by Landlord (including without limitation, all of Tenant's printing equipment), and immediately repair any damage caused by such removal. Property not so removed shall, at Landlord's election, become the property of Landlord. Landlord may thereafter cause such property to be removed and disposed of and the cost of repairing any damage caused by such removal shall be borne by Tenant. Notwithstanding anything to the contrary contained herein, upon termination of this Lease, all building fixtures, including, but not limited to, the heating, ventilation and air conditioning systems, but in all events excluding Tenant's printing equipment, shall remain on the Premises and shall become the property of Landlord.

28. SEVERABILITY.

Each and every covenant and agreement contained in this Lease is separate and independent, and the breach of any thereof by Landlord shall not discharge or relieve Tenant from any obligation hereunder. If any term or provision of this Lease or the application thereof to any person or circumstances shall at any time be invalid and unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances or at any time other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and shall be enforced to the extent permitted by law.

29. SAVINGS CLAUSE.

No provision contained in this Lease which purports to obligate the Tenant to pay any amount of interest or any fees, costs or expenses which are in excess of the maximum permitted by applicable law, shall be effective to the extent that it calls for payment of any interest or other sums in excess of such maximum.

30. BINDING EFFECT.

All of the covenants, conditions and obligations contained in this Lease shall be binding upon and inure to the benefit of the respective successors and assigns of Landlord, Tenant and any Mortgagee.

31. INTENTIONALLY OMITTED.

32. TABLE OF CONTENTS; HEADINGS.

The table of contents and headings used in this Lease are for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the provisions of this Lease.

33. GOVERNING LAW.

This Lease shall be governed by and interpreted under the laws of the state in which the Premises are located.

34. CERTAIN DEFINITIONS.

(a) The term "LEGAL REQUIREMENTS" means collectively (i) all laws, rules, regulations, ordinances or orders in effect from time to time, of all federal, state, local, county and other governmental authorities having authority over the Premises, any portion thereof, the use thereof, Tenant or Landlord, including without limitation, all Environmental Laws and the Americans With Disabilities Act of 1990, 42 U.S.C. Section 12101 ET SEQ. and (ii) any covenants, restrictions or agreements to which the Premises are subject (other than any which arise as a result of a breach by Landlord of its obligations under the second grammatical paragraph of Paragraph 9 above).

(b) The term "IMPOSITION" means:

(i) all real estate taxes which become due and which accrue during the Term and all other assessments (including assessments for benefits from public works or improvements, whether or not begun or completed prior to the commencement of the Term of this Lease and whether or not to be completed within the Term), levies, fees, water and sewer rents and charges, and all other governmental charges of every kind, general and special, ordinary and extraordinary, whether or not the same shall have been within the express contemplation of the parties hereto, together with any interest and penalties thereon, which are, at any time, imposed or levied upon or assessed against (A) the Premises or any part thereof, (B) any Basic Rent or any Additional Rent, (C) this Lease or the leasehold estate

hereby created or which arise in respect of the ownership, operation, possession, occupancy or use of the Premises; provided, however, Impositions shall exclude real estate taxes and assessments to the extent such taxes and assessments arise as a result of a breach by Landlord of its obligations under the last grammatical paragraph of Paragraph 9 above;

(ii) any gross receipts or similar taxes imposed or levied upon, assessed against or measured by the Basic Rent or Additional Rent hereunder

or levied upon or assessed against the Premises (but calculated assuming the Basic Rent and Additional Rent are the only receipts of Landlord);

(iii) all sales and use taxes which may be levied or assessed against, or payable by, Landlord or Tenant on account of the acquisition, payment of rent or leasing or use of the Premises or any portion thereof; and

(iv) all charges for water, gas, light, heat, telephone, electricity, power and other utilities and communications services rendered or used on or about the Premises.

(c) The term "LEASE" means:

this Lease, as amended and modified from time to time, together with any memorandum or short form of lease entered into for the purpose of recording.

(d) The term "LANDLORD" means:

the owner of the rights of the Landlord under this Lease and, subject to subparagraph 23(a) above, upon any assignment or transfer of such rights, except an assignment or transfer made as security for an obligation, any heirs, successors and assigns. The assignor or transferor shall be relieved of all future duties and obligations under this Lease provided the assignee or the transferee shall expressly agree in writing to be bound by and to assume all the covenants of Landlord hereunder arising from and after such assignment or transfer.

35. ASSIGNMENT OF INTANGIBLES.

No later than ninety (90) days following the expiration or earlier termination of this Lease, Landlord may require in a written notice to Tenant that Tenant assign to Landlord, effective as of such expiration or earlier termination of the Term, all rights of Tenant in and to such intangible personal property used by Tenant in connection with the Premises (as a building or property, as applicable) as is designated by Landlord in such notice, including, without limitation, any contract rights, guaranties, licenses, permits, registrations and warranties (including without limitation licenses, permits and registrations pertaining to any clean-up or remediation of Hazardous Materials on or about the Premises to the extent such licenses, permits and registrations may be assigned to Landlord), but excluding any trade names, service marks, corporate names, or business licenses used by Tenant in the operation of its business, and in all events, subject to the transferability of such intangible property. Except any obligation of Tenant to Landlord under this Lease which by the terms of this Lease survives the

termination or expiration of this Lease, including without limitation Tenant's indemnity obligations under Paragraph 7 and 8 of this Lease, Landlord shall assume any future obligations of Tenant in respect of any such assigned intangible personal property in form reasonably acceptable to Landlord and Tenant. Tenant shall execute such assignments and/or bills of sale of the intangible personal property as Landlord may reasonably request, provided the same do not impose any additional liability on Tenant and are otherwise reasonably acceptable to Tenant. The obligations of Tenant under this Paragraph 35 shall survive the expiration or earlier termination of this Lease.

36. REPRESENTATION AND WARRANTIES.

To induce Landlord to enter into this Lease, Tenant makes the representations and warranties set forth in EXHIBIT 36 to this Lease.

37. EXHIBITS.

Exhibits 1, 5-1,5-2, 9, 15-1, 15-2, 25-1, 25-2 and 36 attached hereto are hereby incorporated by reference in this Lease and made a part hereof.

38. EXCULPATORY CLAUSE.

Notwithstanding any provision of this Lease to the contrary, the liability of Landlord under and with respect to this Lease shall be limited to the interest of Landlord in the Premises and the then future rents and profits therefrom, and any judgement in favor of Tenant or any party claiming by, through or under Tenant against Landlord shall be collectible only out of Landlord's interest in the Premises and the then future rents and profits therefrom, and in no event shall any judgement for damages be entered against Landlord which is in excess of such interest.

39. JURY WAIVER.

LANDLORD AND TENANT EACH HEREBY WAIVE ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING FROM A DISPUTE UNDER THIS LEASE.

40. INTENTIONALLY OMITTED.

41. EVICTION BY PARAMOUNT TITLE.

If Tenant is evicted from the Premises as a result of any Person holding title to the Land superior to that of Landlord (excluding any Person holding such superior title as a direct result of a foreclosure of a lien voluntarily created by Landlord, including any Mortgage); then Tenant shall be conclusively presumed to have made Landlord an irrevocable offer to purchase the Premises at the price determined pursuant to EXHIBIT 15-1 (a "DEFEASANCE PURCHASE OFFER"). A Defeasance Purchase Offer shall be deemed accepted unless rejected in writing by Landlord and the first Mortgagee jointly within thirty (30) days after the date of Tenant's eviction from the

Premises. A Defeasance Purchase Offer shall be deemed to contain a closing date of thirty (30) days following the date it is deemed made, and the purchase shall be governed by the terms and conditions set forth in EXHIBIT 15-2.

42. QUIET ENJOYMENT.

So long as Tenant is not in default of any of its covenants and obligations under this Lease, Tenant shall be entitled to peaceful and quiet enjoyment of the Premises, subject, however, to the express terms and conditions of this Lease, including without limitation, Paragraph 6 hereof.

43. PREVAILING PARTY'S COSTS.

In the event of any dispute arising under this Lease between the parties hereto (and whether or not such dispute shall involve actual litigation or arbitration), the prevailing party shall be entitled to be reimbursed upon demand by the non-prevailing party for all reasonable costs and expenses, including reasonable attorneys' fees and expenses.

44. ASBESTOS PLAN.

Tenant shall, within a reasonable time after execution of this Lease, develop and comply with an operation, inspection and maintenance plan with respect to the asbestos at the Premises, which plan shall incorporate sound environmental practices and be in compliance with all Environmental Laws.

45. JOINT AND SEVERAL.

The obligations and liability of Holdings and PJI under this Lease as the Tenant hereunder are joint and several.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above set forth.

LANDLORD:

1323 GREENWOOD, L.L.C., a Delaware limited liability company

By MESIROW REALTY SALE-LEASEBACK, INC., an Illinois corporation, an authorized signatory

By /s/ Garry W. Cohen

Name Garry W. Cohen

Its Exec VP

TENANT:

PERRY JUDD'S HOLDINGS, INC., a Delaware corporation

By /s/ Verne Schmidt

Name Verne Schmidt

Its Sr. VP/CFO

PERRY JUDD'S INCORPORATED,
a Delaware corporation

By /s/ Verne Schmidt

Name Verne Schmidt

Its Sr. VP/CFO

LEASE/SUBLEASE

BY AND BETWEEN

PERRY JUDD'S INCORPORATED,
a Delaware corporation, and

PERRY JUDD'S HOLDINGS, INC.
a Delaware corporation

COLLECTIVELY, AS SUBLANDLORD

AND

PORT CITY PRESS, INC.,
a Maryland corporation

AS SUBTENANT

DATED AS OF AUGUST 14, 1998

LEASE/SUBLEASE

THIS LEASE/SUBLEASE ("Lease/Sublease") is entered into as of the 14th day of August, 1998 (the "Effective Date") by and between PERRY JUDD'S INCORPORATED, a Delaware corporation, and PERRY JUDD'S HOLDINGS, INC., a Delaware corporation (collectively, "Sublandlord"), and PORT CITY PRESS, INC., a Maryland corporation ("Subtenant"), with reference to the following:

W I T N E S S E T H

WHEREAS, Sublandlord is the owner (or tenant, as described in the succeeding recitals) of that certain premises (the "Premises") consisting of: (a) land described in EXHIBIT "A" hereto, (b) all buildings, structures and other improvements constructed and to be constructed thereon (including all building equipment and fixtures owned by Sublandlord, but excluding personal property, trade equipment and fixtures owned by Subtenant; and (c) all easements, rights and appurtenances relating thereto.

WHEREAS, (i) Sublandlord has agreed to sell (the "Sale Transaction") the Premises to 1323 Greenwood, L.L.C., a Delaware limited liability company (herein "Landlord"); and (ii) Landlord, and Sublandlord, have agreed, at the closing (the "Closing") of the Sale Transaction, to enter into that certain lease agreement, dated August 13, 1998 (hereinafter, the "Master Lease"), wherein Landlord has agreed to lease to Sublandlord and Sublandlord agreed to lease back from Landlord, the Premises.

WHEREAS, a true and complete copy of the Master Lease is set forth on EXHIBIT "B" attached hereto and incorporated by reference herein and the same has been delivered to Subtenant, and Subtenant, by its execution hereof, acknowledges receipt of the same; all capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms under the Master Lease.

WHEREAS, Sublandlord and Subtenant may enter into this Lease/Sublease prior to the time Sublandlord and Purchaser enter into the Master Lease at the Closing under the Purchase Agreement.

WHEREAS, (a) if the Closing has not occurred as of the Effective Date, Sublandlord and Subtenant intend that this Lease/Sublease shall constitute a direct, prime lease of the Premises by Sublandlord, as owner of the Premises, to Subtenant, as tenant, until the date of the Closing and the effectiveness of the Master Lease, at which time this Lease/Sublease shall automatically be converted, without further action by the parties hereto, into a sublease of the Premises by Purchaser, as Landlord, Sublandlord, as Sublandlord, and Subtenant, as Subtenant, or (b) if the Closing has occurred, this Lease/Sublease shall immediately upon execution be a

sublease between Sublandlord, as Sublandlord, and Subtenant, as Subtenant; in either case at a rent, and upon and subject to the covenants, agreements, terms, conditions, limitations, exceptions and reservations contained in the Master Lease.

NOW, THEREFORE, in consideration of the premises leased and/or subleased herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Sublandlord and Subtenant hereby covenant and agree as follows:

ARTICLE I.
LEASE PROVISIONS.

If the Effective Date is prior to the date that Landlord and Sublandlord enter into the Master Lease (the "Master Lease Commencement Date"), Sublandlord hereby leases pursuant to the terms of this Article I and Article III (the "Lease") the Premises to Subtenant, and Subtenant hereby hires the Premises from Sublandlord on the following terms, covenants and conditions:

1.1. INCORPORATION OF TERMS OF MASTER LEASE. Each and every

provision of the unexecuted Master Lease as set forth on EXHIBIT "B" of this Lease/Sublease is hereby incorporated by reference into the Lease with the same force and effect as if set forth at length herein and shall apply to the Premises at all times during the Lease Term as if the Lease Term and the Term of the Master Lease were co-extensive. References in the Master Lease to "Landlord", "Tenant", "Premises", "Lease", "Basic Rent" and "Additional Rent" shall be deemed to refer to Sublandlord, Subtenant, Premises, Lease, Basic Rent, Additional Rent applicable to the Lease Term hereunder, respectively. All references to the Lease in this Article I shall be deemed to be to the provisions of this Article I incorporating the terms of the unexecuted Master Lease.

1.2. LEASE TERM. The Lease shall be for a term ("Lease Term") commencing on the Effective Date and ending on the Master Lease Commencement Date or on such earlier date upon which said term may expire or be canceled or terminated pursuant to the terms of the Master Lease; provided, however, that if for any reason Purchaser and Landlord do not enter into the Master Lease, the Lease Term shall continue until the expiration of the Term (as defined in the Master Lease), unless sooner terminated under the terms of the Lease.

1.3. LEASE RENT.

(a) BASIC RENT. Subtenant shall pay as rent for the Premises during the Lease Term an amount equal to the Basic Rent (which would otherwise be applicable under the Master Lease if the Term of the Master Lease and the Lease Term were co-extensive) in the amounts set forth on Exhibits 5-1 and 5-2 of the Master Lease, in monthly installments in advance on the Basic Rent Payment Date.

(b) ADDITIONAL RENT. In addition to the Basic Rent provided for in Paragraph 1.3(a) of this Article I, during the Lease Term, Subtenant shall pay any and all Additional Rent and any other amounts payable by Tenant under the Lease.

(c) PAYMENT OF RENT. During the Lease Term, Subtenant shall pay the Basic Rent, the Additional Rent and any other amounts required to be paid by Tenant under the Lease by wire or other electronic transfer of immediately available funds to Sublandlord at the address of Sublandlord set forth at Paragraph 1 of Article III hereof and/or to such other person or such other place or account as Sublandlord may designate to Subtenant in writing, without demand therefor, provided, Sublandlord may designate to Subtenant in writing that all of the monthly Basic Rent be paid directly to a mortgagee of Landlord (to the extent so provided in the Master Lease), and such payment by Subtenant to Landlord or a mortgagee shall satisfy Subtenant's rental obligations to the same extent as if such payment was

made to the Sublandlord.

(d) NO SET-OFF. Except as otherwise expressly provided in the Lease, Basic Rent and Additional Rent shall be paid by Subtenant without notice or demand (except as expressly provided in the Master Lease with respect to notice and demands), setoff, counterclaim, abatement, suspension, deduction or defense.

1.4 ARTICLE I NOT EFFECTIVE IF CLOSING HAS OCCURRED. Notwithstanding anything to the contrary contained herein, the provisions of this Article I shall immediately cease to be effective, in the event that the Closing has occurred prior to the Effective Date hereof.

Article II.
SUBLEASE PROVISIONS.

If and when Landlord and Sublandlord enter into the Master Lease, Sublandlord hereby subleases pursuant to the terms of this Article II and Article III (the "Sublease") to Subtenant, and Subtenant hereby subleases from Sublandlord the Premises on the following terms, covenants and conditions:

2.1 INCORPORATION OF MASTER LEASE TERMS. Except as otherwise expressly provided herein, the provisions of the executed Master Lease in identical form as set forth on EXHIBIT "B" of this Lease/Sublease are hereby incorporated by reference with the same force and effect as if set forth at length herein and shall apply to the Premises to the extent that the same are applicable, except as modified and amended by this Lease/Sublease. References in the Master Lease to "Landlord", "Tenant", "Premises", "Master Lease", "Basic Rent" and "Additional Rent" shall be deemed to refer to Sublandlord, Subtenant, Premises, this Lease/Sublease, Basic Rent and Additional Rent hereunder, respectively. Subtenant hereby covenants to Sublandlord and agrees for the benefit of Sublandlord that Subtenant shall perform and observe each and every covenant and agreement to be observed or performed by the Tenant under the Master Lease. Sublandlord hereby covenants to Subtenant and agrees for the benefit of Subtenant that Sublandlord will not interfere with the fulfillment by Landlord of any of its obligations to Subtenant under that certain Non-Disturbance Agreement, dated on or about the date of the Closing, by and among, Landlord, Sublandlord and Subtenant (the "Non-Disturbance Agreement"), nor will Sublandlord have the right to take any action which will result in a default under the Master Lease or in the termination of the Master Lease. Notwithstanding the foregoing, Sublandlord shall have no liability to Subtenant for any default under the Master Lease to the extent the same is caused by Subtenant's failure to comply with its own obligations

under this Sublease. All references to the Sublease in this Article II shall be deemed to be to the provisions of this Article II incorporating the terms of the Master Lease. To the extent that any provisions of the Master Lease

may conflict or be inconsistent with the provisions of any provisions of this Sublease, whether or not such inconsistency is expressly noted herein, the provisions of this Sublease shall govern.

2.2. SUBLEASE TERM. The Sublease term ("Sublease Term") shall commence on the Master Lease Commencement Date and shall, subject to the terms of the Non-Disturbance Agreement, end on the day preceding the expiration of the Term of the Master Lease (the "Sublease Expiration Date") or on such earlier date upon which said term may expire or be canceled or terminated pursuant to any of the provisions of the Master Lease and this Sublease.

2.3. SUBLEASE RENT.

(a) BASIC RENT. Subtenant shall pay as rent for the Premises during the Sublease Term an amount equal to the Basic Rent which would otherwise be applicable under the Master Lease if the Term of the Master Lease and the Sublease Term were coextensive in the amounts set forth on Exhibits 5-1 and 5-2 of the Master Lease in monthly installments in advance on the Basic Rent Payment Date.

(b) ADDITIONAL RENT. In addition to the Basic Rent provided for in Paragraph 1.3(a) of this Article II, during the Sublease Term, Subtenant shall pay any and all Additional Rent and any other amounts payable by Tenant under the Lease when and if required under the Sublease.

(c) PAYMENT OF RENT. During the Sublease Term, Subtenant shall pay the Basic Rent, the Additional Rent and any other amounts required to be paid by the Tenant under the Sublease by wire or other electronic transfer of immediately available funds directly to Landlord at 350 North Clark Street, Chicago, Illinois 60610, and/or to such other person or such other place or account as Landlord may designate to Subtenant in writing, without demand therefor; provided, Landlord or Sublandlord may designate to Subtenant in writing that all of the monthly Basic Rent and Additional Rent be paid directly to Landlord or a mortgagee of Landlord (to the extent so provided in the Master Lease), and such payment by Subtenant to Landlord or a mortgagee shall satisfy Subtenant's rental obligations to the same extent as if such payment was made to Sublandlord.

(d) NO SET-OFF. Except as otherwise expressly provided in the Master Lease, Basic Rent and Additional Rent shall be paid by Subtenant without notice or demand (except as expressly provided in the Master Lease with respect to notice and demands), setoff, counterclaim, abatement, suspension, deduction or defense.

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2.4. CONDITION OF PREMISES.

(a) (i) Subtenant agrees that it enters into this Sublease without any representations, warranties or promises by Sublandlord, its agents, representatives, employees, servants or any other person with respect to the Premises; and no rights, easements or licenses are acquired by Subtenant by implication or otherwise, except as otherwise expressly set forth in the Master Lease.

(ii) Subtenant further represents that it has made a thorough examination of the Master Lease and that it is familiar with all the terms, conditions and covenants contained therein.

(b) Sublandlord shall not be required to make any alterations, installations, additions, decorations, repairs or improvements to the Premises.

(c) In no event shall Sublandlord be required to repair any damage to any equipment, furniture, furnishings, partitioning, carpeting, wallpapering or other decorative finishings unless such damage is due to the willful misconduct or negligence of Sublandlord.

(d) Sublandlord shall (i) promptly submit to Landlord an extra copy or copies of plans, specifications and other items submitted by Subtenant for consent and approval, and (ii) promptly submit to Subtenant, all responses or inquiries from Landlord with respect to the foregoing.

(e) On the expiration, termination or cancellation of this Sublease, all Alterations made by Subtenant, and all personal property left by Subtenant, shall, unless Sublandlord elects otherwise, be dealt with as provided in the Master Lease.

2.5. USE OF PREMISES. Subtenant may use the Premises only for such use or uses as are permitted under the Master Lease.

2.6. ASSIGNMENT AND SUBLETTING. Subtenant shall not, directly, indirectly, by operation of law or otherwise, assign, mortgage, pledge, encumber or in any manner transfer this Sublease, or any part thereof, or any interest of Subtenant hereunder, nor sublet or permit the Premises or any part thereof to be used or occupied by others except as provided in Paragraph 16 of the Master Lease. Subtenant agrees to provide Sublandlord with written notice of any proposed assignment or subletting concurrently with providing any such notice to Landlord under the Master Lease.

2.7. SUBJECT TO MASTER LEASE.

(a) This Sublease is subject and subordinate to all of the terms, covenants, provisions, conditions and agreements contained in the Master Lease and in any amendments or supplements thereto now or hereafter existing and the matters to which the Master Lease is subject and

subordinate. Sublandlord will not enter into any modification or amendment of the Master Lease without Subtenant's prior written consent, which consent shall

not be unreasonably withheld. Subtenant acknowledges and agrees that the Master Lease may not be modified or amended without Sublandlord's prior written consent. Sublandlord hereby agrees that in the event that Subtenant requests the consent of Landlord or Sublandlord to any act or undertaking of Subtenant (i) Sublandlord will reasonably cooperate with such request, at no cost to Sublandlord, and (ii) provided that Landlord grants such consent, Sublandlord shall also grant such consent, if the granting of such consent will not increase, in any material way, the obligations, liabilities or financial burdens (contingent or otherwise) of Sublandlord under the Master Lease. Subtenant further covenants and agrees (iii) that Subtenant will not do or cause to be done or suffer or permit any act or thing to be done which would or might cause the Master Lease or the rights of Sublandlord as Tenant thereunder to be canceled, terminated or forfeited or which would make Sublandlord liable for any damages, claims or penalties; and (iv) except for Sublandlord's willful misconduct, negligence or breach of the Master Lease, to indemnify and hold harmless Sublandlord from and against any and all liability, loss, damage, suits, penalties, claims and demands of every kind or nature (including, without being limited to, reasonable attorneys' fees and expenses of defense) by reason of Subtenant's failure to comply with the terms of the Sublease.

(b) Subject to the terms of the Non-Disturbance Agreement, in the event of, and upon the termination or cancellation of the Master Lease pursuant to the terms and provisions thereof, this Lease/Sublease shall automatically cease and terminate.

(c) In the event of any default on the part of either Sublandlord or Subtenant under any of the terms, covenants, conditions, provisions or agreements of the Master Lease or of this Sublease, Sublandlord shall have the same rights and remedies against Subtenant under this Sublease as are available to the Landlord against Sublandlord under the provisions of the Master Lease, and Subtenant shall have the same rights and remedies against Sublandlord under this Sublease as are available to the Tenant against Landlord under the provisions of the Master Lease.

(d) The provisions of this Paragraph 2.7 shall survive the expiration or sooner termination of this Sublease.

2.8 DAMAGE OR DESTRUCTION. If the Premises shall be partially or totally damaged by fire or other cause, the consequences thereof shall be governed by the Master Lease, including, without limitation, Paragraphs 13, 14 and 15 of the Master Lease. Subtenant's right to an apportionment or

abatement of rent and to repairs shall be dependent upon whether or not Sublandlord has a right to apportionment or abatement of rents and/or repairs under said Master Lease, including, without limitation, Paragraphs 13, 14 and 15, in respect of the Premises. Except as such rights are provided to Sublandlord by Landlord in the Master Lease, no damage, compensation or claims shall be payable by Sublandlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises.

2.9 SERVICES, REPAIRS, RESTORATIONS, ETC. Subject to the terms of the Non-Disturbance Agreement, if Landlord shall default in any of its obligations to Sublandlord with respect to the Premises, Subtenant shall be entitled to enforce Sublandlord's rights against Landlord under the Master Lease, at no cost or expense to Sublandlord; provided Subtenant shall

defend, indemnify, protect and hold Sublandlord harmless from and against any and all claims, costs and expenses related to any such enforcement. Subject to the terms of the Non-Disturbance Agreement, if, after written request from Subtenant, Sublandlord shall fail or refuse to take appropriate action for the enforcement of Sublandlord's rights against Landlord with respect to the Premises within a reasonable period of time considering the nature of Landlord's default, Subtenant shall, if the same right would be permissible by Sublandlord under the Master Lease, have the right to pursue a claim, action, proceeding or arbitration, for injunction, damages or other remedy in its own name, and for that purpose and only to such extent all of the rights of Sublandlord under the Master Lease hereby are conferred upon and assigned to Subtenant and Subtenant hereby is subrogated to such rights to the extent that the same shall apply to the Premises; provided Subtenant shall defend, indemnify, protect and hold Sublandlord harmless from and against any and all claims, costs and expenses related to any such actions by Subtenant; and, provided, further, that notwithstanding anything herein to the contrary, in no event shall Subtenant have the right to take any action which may result in a default under the Master Lease or in a termination of the Master Lease, in whole or in part or in a surrender of all or any portion of the Premises. In connection with the defense of any indemnified claim hereunder, Sublandlord agrees that Subtenant may, at its option, provide a joint defense (with counsel reasonably acceptable to Sublandlord) to a claim which is asserted against both Sublandlord and Subtenant.

2.10 EVENTS OF DEFAULT. The occurrence of any Event of Default under the Master Lease shall constitute a material default hereunder.

ARTICLE III
PROVISIONS APPLICABLE TO BOTH LEASE AND SUBLEASE

The following terms, covenants and conditions shall apply to both the Lease and the Sublease:

3.1 NOTICES. Any notice, demand, request or other communication which under the terms of this Lease/Sublease or under any provision of law or governmental regulation must or may be given either by Sublandlord to Subtenant or by Subtenant to Sublandlord shall be in writing and hand delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed as follows to the person entitled to receive the same:

(a) if to Sublandlord:

Perry Judd's Incorporated
575 West Madison Street
Waterloo, Wisconsin 53594
Attention: Craig Hutchinson
Facsimile:

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with a copy to:

Liner Yankelevitz Sunshine
Weinhart & Regenstreif LLP
3130 Wilshire Boulevard
2nd Floor
Santa Monica, California 90403
Attention: Mitchell Regenstreif, Esq.
Facsimile: (310) 453-5901

with a copy to:

The Milhous Group
1160 Nicole Court
Glendora, California 91740
Attention: Tom Bressan
Facsimile: (909) 599-2390

(b) if to Subtenant:

The Mack Printing Group
1991 Northampton Street
Easton, PA 18042-3189
Attention: John C. Coconougher
Facsimile: (610) 250-7285

with a copy to:

Dechert Price & Roads
4300 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19143
Attention: Christopher G. Karras, Esq.
Facsimile: (215) 994-2222

Any notice shall be deemed to have been validly given two (2) business days after being deposited in the mail, postage prepaid. Either party by notice as aforesaid may change the addresses set forth above for notices, requests, demands or communications to it.

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3.2. BROKERS. Sublandlord and Subtenant each warrant and represent to the other, that it has dealt with no broker or other person in connection with this lease transaction. Sublandlord and Subtenant each agree to indemnify and save harmless the other from any costs, expenses, attorneys' fees or liability for compensation or charges which may be claimed by any broker or agent as a result of any conversations, correspondence, other dealings or actions of the indemnifying party in connection with this Lease/Sublease.

3.3. SUCCESSORS AND ASSIGNS. This Lease/Sublease shall be binding upon and inure to the benefit of the parties hereto and, subject to the limitations set forth in Paragraph 2.6 of Article II hereof, their respective successors and assigns.

3.4. COUNTERPARTS. This Lease/Sublease may be executed in counterpart originals and delivered by facsimile and all such counterparts and facsimiles shall constitute one original Lease/Sublease. If this Lease/Sublease is delivered by facsimile, the party delivering the Lease/Sublease by facsimile shall deliver to the other party the executed original by personal delivery or overnight courier in accordance with Paragraph 1 of this Article III.

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[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Sublandlord and Subtenant have duly executed this Lease/Sublease as of the day and year first above written.

"SUBLANDLORD":

PERRY JUDD'S INCORPORATED,
a Delaware corporation

By: /s/ Kenneth R. Duff

Its: Assistant Secretary

"SUBTENANT":

PORT CITY PRESS, INC.,
a Maryland corporation

By: /s/ THOMAS V. BRESSAN

Its: Secretary

PERRY JUDD'S HOLDINGS, INC.,
a Delaware corporation

By: /s/ Kenneth R. Duff

Its: Assistant Secretary

EXHIBIT "A"

(PREMISES)

Exhibit "A" to Lease/Sublease, dated as of August 14, 1998, by and

between by and between PERRY JUDD'S INCORPORATED, a Delaware corporation, and PERRY JUDD'S HOLDINGS, INC., a Delaware corporation, collectively, as Sublandlord, and PORT CITY PRESS, INC., a Maryland corporation, as Subtenant.

EXHIBIT "A"

EXHIBIT "B"

(MASTER LEASE)

Exhibit "B" to Lease/Sublease, dated as of August 14, 1998, by and between PERRY JUDD'S INCORPORATED, a Delaware corporation, and PERRY JUDD'S HOLDINGS, INC., a Delaware corporation, collectively, as Sublandlord, and PORT CITY PRESS, INC., a Maryland corporation, as Subtenant.

EXHIBIT "B"