

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1999-02-11** | Period of Report: **1999-02-12**
SEC Accession No. **0000950144-99-001397**

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FILER

BISCAYNE APPAREL INC /FL/

CIK: **88706** | IRS No.: **650200397** | State of Incorporation: **FL** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-09635** | Film No.: **99531219**
SIC: **2330** Women's, misses', and juniors outerwear

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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): FEBRUARY 12, 1999

BISCAYNE APPAREL, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

1-9635

65-0200397

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

1373 BROAD STREET
CLIFTON, NJ 07013

(Address of principal executive offices) (Zip Code)

(973) 473-3240

Registrant's telephone number, including area code:

(Former Name or Former Address, if Changed Since Last Report)

CURRENT REPORT ON FORM 8-K

BISCAYNE APPAREL, INC.

FEBRUARY 12, 1999

ITEM 3 BANKRUPTCY OR RECEIVERSHIP.

Biscayne Apparel, Inc. (the "Registrant") announced that it and its subsidiary, M&L International, Inc. ("M&L") filed for protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 petitions were filed with the United States Bankruptcy Court for the Southern District of New York on February 5, 1999.

The Registrant did not make the interest payment due on December 15, 1998 relating to its 13% Subordinated Notes due December 15, 1999 (the "Subordinated Notes"). Pursuant to the Indenture for the Subordinated Notes, the Registrant's nonpayment of interest became an event of default under the Subordinated Notes. Once an event of default under the Subordinated Notes occurs and is continuing, the Indenture Trustee by notice to the Registrant, or the holders of a majority in principal amount of the Subordinated Notes then outstanding by notice to the Registrant and the Trustee, may declare to be due and payable immediately an amount equal to the sum of the outstanding principal balance of the Subordinated Notes and any accrued interest thereon. If the Subordinated Notes, and accrued interest thereon, were accelerated, the Registrant would not be able to operate without immediate alternative financing being available.

Additionally, the Registrant has not been in compliance with the requirements of its Loan Agreement with its bank lenders relating to collateral coverage and levels of tangible net worth. The Registrant's senior bank lenders have allowed the Registrant to remain in violation of its Loan Agreement. However, a Reservation of Rights and Waiver agreement was entered into whereby the Registrant's senior bank lenders agreed to extend credit at their discretion without waiving any rights that arose upon the events of default.

The Registrant had discussed its continuing financing needs for 1999 with its existing lenders and other lenders. Neither existing lenders or any other lenders agreed to fund such needs or otherwise to provide working capital financing that would permit the Registrant to operate as it has in the past.

Without immediate financing available for M&L, the Registrant was faced with the alternative of a sale or liquidation of M&L. If M&L were unable to open letters of credit on a timely basis, the value of M&L's assets and operations, as a going concern, would rapidly diminish. Therefore, the Registrant entered into the Agreements referred to below under Item 5 of this Current Report, which Agreements provide that the purchaser, which is affiliated with Amerex (USA) Inc., would open letters of credit for M&L and in turn receive an assignment of related customer order backlog against such goods. The Agreements are subject to the approval of the Bankruptcy Court.

The Registrant and M&L filed for protection under Chapter 11 of the Bankruptcy Code to effect an orderly sale of M&L pursuant to the Agreements. M&L anticipates that the net proceeds from finalization of the sale and liquidation of its assets shall be sufficient to ultimately repay its liabilities. Nonetheless, the consummation of the transactions provided for under the Agreements is contingent upon the approval of the Bankruptcy Court and on the satisfaction of various terms and conditions of the Agreements.

Previously, The Registrant announced that it had retained the investment banking arm of Kurt Salmon Associates, an Atlanta-based consultant to retailers and consumer products companies, to advise the Registrant on strategic alternatives. As a result of this process, the Registrant determined to dispose of the majority of the assets of its subsidiaries' Biscayne Apparel International, Inc. ("BAII") and Mackintosh of New England Co. ("Mackintosh"). The Registrant is in the process of finalizing the sale and liquidation of the remaining assets of these subsidiaries.

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This Current Report contains certain forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Disposition of some or all of the remaining operating units and/or assets of the Registrant may not be completed within the foreseeable future. All forward-looking statements should be considered in light of these risks and uncertainties.

ITEM 5 OTHER EVENTS.

Concurrent with the Chapter 11 filings described above under Item 3, , the Registrant announced that M&L has entered into an Asset Purchase Agreement and an Interim Agreement (collectively "the Agreements") with a subsidiary of Amerex (USA) Inc. to purchase a substantial portion of M&L's assets and operations, subject to the approval of the Bankruptcy Court.

EXHIBIT NO.

DESCRIPTION

10.1	Asset Purchase Agreement, dated February 5, 1999, by and among M&L International, Inc. and M&L International (H.K.) Limited, as Sellers and, M&L International Group, LLC, M&L Hong Kong, Ltd. and Amerex (USA) Inc., as Buyer
------	--

- 10.2 Interim Agreement, dated February 5, 1999, by and among M&L International Inc., Amerex (USA) Inc. and M&L International Group, LLC
- 99.1 Press Release, dated February 5, 1999.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned thereunto duly authorized.

BISCAYNE APPAREL, INC.

Date: February 12, 1998

By: /s/ Peter Vandenberg

Peter Vandenberg, Jr.
President, Chief Operating Officer, Treasurer
and Chief Financial Officer

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10.2	Interim Agreement, dated February 5, 1999, by and among M&L International Inc., Amerex (USA) Inc. and M&L International Group, LLC
99.1	Press Release, dated February 5, 1999.

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ASSET PURCHASE AGREEMENT

BY AND AMONG

M & L INTERNATIONAL GROUP, LLC

M & L HONG KONG, LTD.

AND AMEREX (USA) INC.

(Buyer)

AND

M & L INTERNATIONAL, INC.

AND

M & L INTERNATIONAL (H.K.) LIMITED

(Sellers)

Dated February 5, 1999

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT dated this 5th day of February, 1999 by and among M&L INTERNATIONAL GROUP, LLC, a Delaware limited liability company with its principal office at 350 Fifth Avenue, New York, New York 10118 ("M&LIG"), M&L HONG KONG, LTD., a Hong Kong corporation ("M&LHK"), and AMEREX (USA) INC., a New York corporation with its principal office at 350 Fifth Avenue, New York,

New York 10018 ("Amerex") (M&LIG, M&LHK and Amerex to be referred to hereinafter collectively as "Buyer"), M&L INTERNATIONAL, INC., an Illinois corporation with its principal office at 1333 North Kingsbury Street, Chicago, Illinois, 60622 ("M&L International") and M&L INTERNATIONAL (H.K.) LIMITED, a Hong Kong Corporation with its principal office at M-F, Keep Mount Centre, 9-11 Shing Wan Road, TaiWai, N.T. Hong Kong ("M&L Hong Kong") (M&L International and M&L Hong Kong to be referred to hereinafter collectively as the "Sellers").

W I T N E S S E T H:

WHEREAS, M&L International is, simultaneously with the execution and delivery of this Agreement, filing a petition to commence a reorganization case (the "Reorganization Case") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

WHEREAS, after commencement of the Reorganization Case, M&L International will be operating its business as a debtor-in-possession pursuant to the Bankruptcy Code;

WHEREAS, Buyer desires to purchase certain assets from Sellers and Sellers desire to sell such assets to Buyer, all upon the terms and subject to the conditions set forth in this Agreement; and

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WHEREAS, Sellers and Buyer are simultaneously entering into an agreement (the "Interim Agreement") pursuant to which Amerex agrees to facilitate the continued operation of the Business from the date hereof until the Closing Date by opening letters of credit subject to the terms and conditions of the Interim Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements hereinafter contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" shall mean, with respect to any Person, any Person directly or indirectly controlling, controlled by or under direct or indirect common control with such other Person;

"Amerex" - See Preamble hereto;

"Assets" - See Section 2.1 (a);

"Assigned Contracts" shall mean the Contracts of Sellers listed on Schedule 1 annexed hereto;

"Assumed Liabilities" - See Section 2.2(a);

"Bankruptcy Code" - See the Recitals hereto;

"Bankruptcy Court" - See the Recitals hereto;

"Books and Records" - See Section 2.1(a) (xv);

"Break Up Fee" - See Section 7.8;

"Business" shall mean all the business activities and operations of the Sellers;

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"Business Day" shall mean any day other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in New York City are authorized by law or other governmental action to close;

"Buyer" - See the Preamble hereto;

"Closing" - See Article IV;

"Closing Date" - See Article IV;

"Code" shall mean the Internal Revenue Code of 1986, as amended;

"Contracts" shall mean any and all contracts, agreements, leases, licenses, indentures, notes, mortgages, instruments, open Purchase Orders, open Customer Orders, or other binding arrangements to which either Seller is a party, whether oral or written, and all modifications and amendments thereto;

"Customer Orders" shall mean the Sellers' customer orders, contracts or other commitments to customers of the Business;

"Deposit" - See Section 3.4;

"Employee Benefit Plan" shall mean an Employee Pension Benefit Plan or an Employee Welfare Benefit Plan, where no distinction is required by the context in which the term is used;

"Employee Pension Benefit Plan" shall have the meaning set forth in Section 3(2) of ERISA;

"Employee Welfare Benefit Plan" shall have the meaning set forth in Section 3(1) of ERISA;

"Environmental Laws" shall mean all federal, state and local laws, statutes, ordinances and regulations, including, without limitation, any applicable judicial or

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administrative order, consent decree or judgment, all as in effect as of the Closing Date relative to the applicable Premises, relating to the regulation and protection of the environment and natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include but are not limited to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. ss. 9601 et seq.) ("CERCLA"); the Hazardous Material Transportation Act, as amended (49 U.S.C. ss. 1801 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. ss. 136 et seq.); the Resource Conservation and Recovery Act, as amended (42 U.S.C. ss. 7401 et seq.) ("RCRA"); the Federal Water Pollution Control Act, as amended (29 U.S.C. ss. 300f et seq.); and any and all regulations promulgated thereunder, and all similar or analogous state, local and federal statutes, counterparts or equivalents and any transfer of ownership notification or approval statutes;

"Equipment" - See Section 2.1(a)(i);

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended;

"Escrow Agreement" - See Section 3.3;

"Escrow Amount" - See Section 3.3;

"Estimated Purchase Price" - See Section 3.5;

"Excluded Assets" - See Section 2.1(b);

"Excluded Contracts" - See Section 2.1(b)(iii);

"GAAP" shall mean U.S. generally accepted accounting principles;

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"Government" shall mean any agency, division, subdivision, audit group or procuring office of the Government of the United States, and state, or any foreign government, including the employees or agents thereof;

"Higher and Better Offers" - See Section 7.9;

"Improvements" - See Section 2.1(a)(ii);

"Intellectual Property Rights" - See Section 2.1(a)(vi);

"Interim Agreement" - See Recitals hereto;

"Interim Gross Profits" shall mean Sellers' gross profits on Interim Net Sales;

"Interim Net Sales" shall mean Sellers' net sales for the

period January 1, 1999 through the Closing Date;

"Inventory" - See Section 2.1(a)(iii);

"Leased Real Property" - See Section 2.1(a)(ii);

"Leases" shall mean those real property leases listed on Schedule 5.10;

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, claim, lien (statutory or other) or conditional sale agreement;

"M&LHK" - See the Preamble hereto;

"M&L Hong Kong" - See the Preamble hereto;

"M&LIG" - See the Preamble hereto;

"M&L International" - See the Preamble hereto;

"Mackintosh" shall mean Mackintosh of New England Co.,

"Material Adverse Effect" shall mean a material adverse effect on the Assets, the Business or the use or operation thereof, in each case, taken as a whole, or a material adverse

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effect on Sellers' ability to consummate the transactions contemplated by this Agreement other than the commencement of the Reorganization Case as contemplated herein;

"Multiemployer Plan" shall have the meaning set forth in Section 3(37) of ERISA;

"Operating Costs and Expenses" - See Schedule 3.1;

"Order" - See Section 7.10;

"Permits" - See Section 2.1(a)(xiii);

"Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or Government;

"Premises" - See Section 2.1(a)(ii);

"Purchase Orders" shall mean the Sellers' purchase orders, contracts or other commitments to suppliers of goods and services for materials, supplies or other items used in the Business;

"Purchase Price" - See Section 3.1;

"Reorganization Case" - See Recitals hereto;

"Returned Goods" - See Section 8.4;

"Sale Hearing" - See Section 7.10;

"Secured Bank Group" shall mean, collectively, Chase Manhattan Bank for itself, and as agent for certain other lenders of Sellers, together with such other lenders;

"Sellers" - See the Preamble hereto;

"Sellers' Cost" - see Schedule 3.1;

"Sellers' Receivables" - See Section 8.3;

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"Severance Plans" shall mean all severance plans, programs or practices of the Sellers;

"Subsidiary" shall mean with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, of which more than 50% of either the equity interests in, or the voting control of, such corporation or other organization is, directly or indirectly, through subsidiaries or otherwise, beneficially owned by such Person;

"Taxes" shall mean for all purposes of this Agreement all taxes, however denominated, including any interest, penalties or additions to tax that may become payable in respect thereof, imposed by any Government, which taxes shall include, without limiting the generality of the foregoing, all income taxes, payroll and employee withholding taxes, unemployment insurance, social security, sales and use taxes, excise taxes, franchise taxes, gross receipts taxes, occupation taxes, real and personal property taxes, stamp taxes, transfer taxes, workmen's compensation taxes and other obligations of the same or a similar nature, whether arising before, on or after the Closing; and "Tax" shall mean any one of the foregoing;

"Transaction Taxes" - See Article X;

"WARN" shall mean the Federal Worker Adjustment and Retraining Notification Act.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Assets to be Sold and Purchased.

(a) Subject to Section 2.1(b) and the other terms and conditions hereof, at the Closing Sellers shall sell, assign, transfer, convey and deliver to Buyer free and clear of all Liens,

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and Buyer shall purchase from Sellers, all of the property, assets and rights used or held for use in the Business (collectively, the "Assets") including:

(i) all of Sellers' rights, title and interest in and to the machinery, equipment, tools, supplies, spare parts, vehicles, furniture and other tangible personal property owned, used or held for use in the Business on the Closing Date (the "Equipment"), as set forth on Schedule 2.1(a) (i);

(ii) all of Sellers' rights, title and interest in and to the real property leased by Sellers and used in the Business (the "Premises") and all of Sellers' rights, title and interest in and to all buildings, improvements and fixtures constructed thereon (the "Improvements," and together with the Premises, the "Leased Real Property") as set forth on Schedule 2.1(a) (ii);

(iii) all raw materials, work-in-progress and inventories of finished goods, whether in possession of Sellers or any supplier, manufacturer or contractor of Sellers on the Closing Date (the "Inventory") which, as of December 31, 1998, is as set forth on Schedule 2.1(a) (iii);

(iv) all claims, rights and chooses in action of Sellers against third parties in respect of unliquidated rights under manufacturers' and vendors' warranties, guarantees or similar obligations to the extent same are assignable;

(v) all of Sellers' rights, title and interest in, to and under all patents, patent applications, trade names, trademarks, copyrights, copyright applications, service marks, trademark and service mark registrations and applications, domain names, logos and other intangible property as set forth on Schedule 2.1(a) (v), in each case, together with the good will of the business associated therewith, whether owned or licensed by Sellers (including, without

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limitation, all of Sellers' right to use the names "M&L" and "M&L International" and any derivations thereof) whether or not used in the Business, and the trademarks and trademark applications listed on Schedule 2.1(a) (v) annexed hereto under the heading "Mackintosh Trademarks" which are currently owned of record by Mackintosh;

(vi) all of Sellers' rights in, to and under trade secrets, formulae and specifications and technical know-how, whether currently being used or under development, including engineering and other drawings, data, design and specifications, product literature and related materials, in each case which are owned or licensed by Sellers as of the Closing Date (together with the intellectual property described in Section 2.1(a) (v), the "Intellectual Property Rights") and all of Sellers' books, records and computer software programs relating thereto;

(vii) all of Sellers' rights in, to and under the goodwill of the Business;

(viii) all of Sellers' rights, titles and interests in, to and under all Assigned Contracts;

(ix) all prepaid expenses, prepaid rents, and other prepayments, including security deposits relating to the Assigned Contracts, as of the Closing Date which, as of December 31, 1998, are as set forth on Schedule 2.1(a) (ix);

(x) all existing customer lists, credit policies and credit information with respect to all existing customers of, and all existing cost and pricing data for, the Business other than customer information pertaining to the collection of Sellers' Receivables;

(xi) all existing supplier lists, product specifications, bills of materials, production routings and all other production information;

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(xii) all existing business plans, advertising and promotional plans, product development plans, forecasts, market research reports, competitor information, and reference catalogs;

(xiii) all of Sellers' rights under governmental licenses, certificates, permits, franchises, similar authorizations and approvals of Seller (the "Permits") relating to or necessary to the lawful conduct of the Business as of the Closing Date (including all rights of Sellers to obtain renewals and extensions thereof, together with all causes of action in favor of Sellers heretofore accrued or hereafter accruing with respect thereto), in each case to the extent such Permits are transferable;

(xiv) all transferable warranties and guarantees pertaining to the Assets; and

(xv) all books and records relating to the Business and the Assets (the "Books and Records") including, without limitation, records with respect to costs, Inventory and Equipment; materials, catalogues, correspondence, mailing lists, art work, films, negatives, photographs, sales materials and records; purchasing materials and records; personnel records with respect to employees of the Business being retained by Buyer; media materials and plates; sales order files; ledgers and other books of account of Sellers; plans, specifications, surveys, reports and other materials relating to the Leased Real Property; other records required to continue the Business as heretofore and now being conducted by Sellers; and all software programs, computer printouts, databases and related items used in the Business;

(xvi) accounts receivable of M&L Hong Kong as of the Closing Date, which as of December 31, 1998, are set forth on Schedule 2.1(a) (xvi); and

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(xvii) all designs, patterns and supplies owned by Sellers or used by Sellers in the Business.

(b) The Assets shall not include the following assets and properties (the "Excluded Assets"):

(i) all cash and cash equivalents, if any, belonging to Sellers;

(ii) all accounts receivable of M&L International existing prior to the Closing Date;

(iii) the Contracts set forth on Schedule 2.1(b) (iii) (the "Excluded Contracts");

(iv) the capital stock of M&L Hong Kong;

(v) any and all Employee Benefit Plans of Sellers and all assets related thereto;

(vi) any and all real property owned by Sellers;

(vii) any and all amounts due to Sellers from Affiliates;

(viii) any Tax attributes or Tax receivables of Sellers, including any tax loss carryforward attributable to federal or state income

Taxes;

(ix) prepaid expenses to professionals; and

(x) all Books and Records relating to or used in the collection of Sellers' Receivables or in the possession or control of Sellers' outside accountants.

Section 2.2 Assumed Liabilities.; Assumption of Obligations Under Assigned Contracts

(a) Upon the Closing, Buyer shall assume all accounts payable, liabilities and obligations of Sellers set forth on Schedule 2.2 (a) (the "Assumed Liabilities").

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(b) From and after the Closing, Buyer shall perform all obligations required to be performed after Closing under the Assigned Contracts (the "Assumed Contract Obligations").

(c) Buyer shall not assume or be bound by or otherwise be responsible for any liabilities or obligations of Sellers of any kind or nature, known, unknown, contingent or otherwise, other than the Assumed Liabilities and the Assumed Contract Obligations.

Section 2.3 Allocation of Assets and Liabilities Between M&LIG and M&LHK. M&LIG and M&LHK shall purchase the Assets, and assume the Assumed Liabilities, in such proportion as they shall determine. Buyer shall notify Sellers of such determination prior to the Closing.

ARTICLE III

PURCHASE PRICE; ESCROW

Section 3.1 Purchase Price. The purchase price for the Assets (the "Purchase Price") shall be determined in accordance with the formula set forth on Schedule 3.1 annexed hereto. The Purchase Price shall be allocated to the Assets in accordance with applicable provisions of the Code and Internal Revenue Service Regulations and Sellers and Buyer agree to make the necessary and appropriate Tax filings in connection therewith.

Section 3.2 Payment of Purchase Price. . At the Closing, the Estimated Purchase Price, less the Deposit, the Assumed Liabilities, and the Escrow Amount (the "Closing Cash Payment"), shall be paid by Buyer to, or for the account of Sellers, by wire transfer of immediately available funds unless otherwise directed by the Bankruptcy Court pursuant to the Order. The balance of the Purchase Price, if any, shall be paid by Buyer as provided in Section 3.6.

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Section 3.3 Escrow Amount. At Closing, Two Hundred Thousand Dollars (\$200,000) of the Purchase Price (the "Escrow Amount") shall be deposited by Buyer into escrow with Greenberg Traurig, counsel to the Sellers, as escrow agent (the "Escrow Agent"), to be held and disbursed by the Escrow Agent pursuant to the terms of Section 3.6 and an escrow agreement in the form annexed hereto as Exhibit A (the "Escrow Agreement") until the actual Purchase Price is determined.

Section 3.4 Deposit.

(a) As a good faith deposit against the Purchase Price, the Buyer is delivering to Greenberg Traurig, counsel to the Sellers, concurrently with the execution and delivery of this Agreement, the sum of \$250,000 (the "Deposit"), which shall be held by such attorneys in a segregated interest bearing escrow account pending application or disbursement thereof in accordance with this Agreement and pursuant to the Order. At the time of the Closing, the amount of the Deposit and interest earned thereon shall be applied in partial payment of the Purchase Price. In the event that this Agreement shall be terminated by the Sellers pursuant to Article XIII due to a breach of this Agreement by Buyer then the Deposit and interest earned thereon shall be retained by the Sellers as damages in respect of the Buyer's default and Sellers specifically reserve the right to sue for damages and for specific performance as provided in Section 13.2(b). Upon any other termination of this Agreement, the Deposit and all interest earned thereon shall be promptly returned to the Buyer, and if Buyer has terminated this Agreement pursuant to Article XIII due

to a breach of this Agreement by Sellers, Buyer specifically reserves the right to sue for damages and for specific performance as provided in Section 13.2(a).

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(b) In order to induce the Sellers' counsel to act as escrow holder (in such capacity, the "Deposit Escrow Agent"), the parties hereby confirm that the Deposit Escrow Agent (i) shall not incur any liability for any action taken by it hereunder, except to the extent that the same constitutes gross negligence or willful misconduct by the Deposit Escrow Agent, (ii) shall be entitled to rely upon and assume to be accurate all notices and advice given to the Deposit Escrow Agent hereunder (absent specific knowledge to the contrary) and to rely upon any document and/or signature believed by it in good faith to be to be genuine and rendered by an authorized representative of the subject person, (iii) may, notwithstanding its status as Deposit Escrow Agent, act as counsel for the Sellers, without any claims of conflict of interest by reason thereof, (iv) may resign at any time, provided that such resignation shall not become effective until a substitute escrow agent is appointed by mutual agreement of the Sellers and the Buyer, and the Deposit Escrow Agent has delivered to its successor all funds then held in escrow hereunder, and (v) may, in the event of any dispute hereunder, deposit any and all funds held in escrow hereunder into the Court pending resolution of such dispute, and thereby be relieved of its obligations as Deposit Escrow Agent hereunder.

Section 3.5 Physical Inventory; Estimated Purchase Price.

(a) Sellers' and Buyer's representatives, employees, agents or accountants shall jointly conduct a physical inspection and counting of Inventory, including a count of Inventory returned from and after January 1, 1999, not more than ten (10) and not fewer than five (5) days prior to the Sale Hearing. Buyer and Sellers shall attempt in good faith to resolve any disputes regarding the Inventory count during such physical inspection and counting and, in any event, shall resolve any disputes not more than three (3) days prior to the Sale Hearing.

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(b) Three (3) days prior to the Sale Hearing, Sellers shall deliver to Buyer the following:

(i) a certificate (the "Interim Period Certificate") signed by a Vice President of M&L International certifying Sellers' reasonable good faith estimate of the Operating Costs and Expenses, the Interim Net Sales and the Interim Gross Profits, accompanied by reasonably detailed documentation substantiating such estimates; and

(ii) a certificate (the "Purchase Price Certificate") signed by a Vice President of M&L International setting forth, in the detail required by Schedule 3.1, Sellers' reasonable good faith estimate of the Purchase Price (the "Estimated Purchase Price") calculated in the manner set forth in Schedule 3.1 applying the results of the physical Inventory count referred to in Section 3.5(a) and the Sellers' estimate of Operating Costs and Expenses, Interim Net Sales and Interim Gross Profits set forth on the Interim Period Certificate.

Section 3.6 Post-Closing Adjustment.

(a) From and after the Closing, Buyer and its agents and representatives shall have the right to inspect and examine the Books and Records, and any other materials reasonably requested of Sellers, for the purpose of calculating the actual Purchase Price.

(b) If, within sixty (60) days after the Closing, Buyer and Sellers agree upon the Purchase Price, the procedures in Section 3.6(c) shall be followed. If the Sellers and Buyer do not agree upon the Purchase Price within such sixty (60) day period, the accounting firm of M.R. Weiser & Co., LLP (the "Independent Accountants") shall be jointly retained by Sellers and Buyer to determine the Purchase Price based upon Schedule 3.1. The determination of the Independent Accountants shall be conclusive and binding upon the parties. The fees and disbursements of the Independent Accountants shall be shared equally by Sellers and Buyer. The

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amounts owed by Sellers to the Independent Accountants shall constitute a

priority administrative claim in the Reorganization Case. Upon determination of the Purchase Price by the Independent Accountants, the procedures in Section 3.6(c) shall be followed.

(c) (i) If the Closing Cash Payment, plus the Deposit and the Assumed Liabilities, is less than the Purchase Price as agreed to by the Sellers and Buyer or as determined by the Independent Accountants, then, upon delivery to the Escrow Agent of joint written instructions from Sellers and Buyer, the Escrow Agent shall remit to Sellers out of the Escrow Amount the amount of such shortfall (the "Purchase Price Shortfall") and the balance of the Escrow Amount, if any, shall be remitted to Buyer, provided that, if the Escrow Amount is not sufficient to cover the entire Purchase Price Shortfall, Buyer shall pay to the Sellers the amount of such deficiency within three (3) days after determination thereof; and

(ii) If the Closing Cash Payment, plus the Deposit and the Assumed Liabilities, exceeds the Purchase Price as agreed to by the Sellers and Buyer or as determined by the Independent Accountants (the "Overpayment") then, upon delivery to Escrow Agent of joint written instructions from Sellers and Buyer, the Escrow Agent shall remit to the Buyer the full Escrow Amount and the Sellers shall be liable to Buyer for the amount by which the Overpayment exceeds the Escrow Amount. Buyer shall have a priority administrative claim for the Overpayment against the estate of M&L International in the Reorganization Case.

ARTICLE IV

CLOSING

The Closing under this Agreement (the "Closing") shall take place at the offices of Rosen & Reade, LLP, 757 Third Avenue, New York, New York 10017 at 10:00 a.m. on the day

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immediately following the day on which all of the conditions contained in Article XI and Article XII have been satisfied or waived by the Sellers or the Buyer, as the case may be, or on such later date and at such other place and time as may be mutually agreed to by the parties hereto (the "Closing Date").

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers hereby represent and warrant to the Buyer as follows:

Section 5.1 Corporate Organization. M&L International is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois, and M&L Hong Kong is a corporation duly organized, validly existing and in good standing under the laws of Hong Kong. Each of the Sellers has all requisite corporate power and authority to own its properties and assets and to conduct its businesses as now conducted. No direct or indirect Subsidiary or Affiliate of M&L International other than M&L Hong Kong owns or has any rights in the Assets.

Section 5.2 Qualification to Do Business. Schedule 5.2 sets forth each jurisdiction in which each of the Sellers is qualified to do business as a foreign corporation. Each Seller is qualified to do business as a foreign corporation and is in good standing in every jurisdiction which the character of the property owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect.

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Section 5.3 Authorization and Validity of Agreements. Each of the Sellers has all requisite corporate power and authority to enter into this Agreement, and, subject to the Bankruptcy Court's entry of the Order and the receipt of the consents, waivers and approvals set forth on Schedule 5.5, to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement, and the performance of each Sellers' obligations hereunder have been duly authorized by all necessary corporate action by the Boards of Directors of each of such Sellers, and no other corporate proceedings on the part of such Sellers are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by each of the Sellers and, subject to the Bankruptcy Court's entry of the Order, constitutes its valid and binding obligation, enforceable against it in accordance with its terms.

Section 5.4 No Conflict or Violation. Subject to the Bankruptcy's Court's entry of the Order and receipt of all consents and waivers set forth on

Schedule 5.5, the execution, delivery and performance by each of the Sellers of this Agreement do not and will not violate or conflict with any provision of the Certificates or Articles of Incorporation or By-laws (or equivalent documents) of such Sellers and do not and will not violate any provision of law, or any order, judgment or decree of any court or other governmental or regulatory authority applicable to either of such Sellers, nor violate nor will result in a breach of or constitute (with due notice or lapse of time or both) a default under any Assigned Contract.

Section 5.5 Consents and Approvals. Schedule 5.5 sets forth a true and complete list of each consent, waiver, authorization or approval of any Governmental or regulatory authority, domestic or foreign, or of any other Person, and each declaration to or filing or registration with any such Governmental or regulatory authority, that is required in connection with the execution and delivery of this Agreement by the Sellers or the performance by the Sellers of their

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respective obligations hereunder, except to the extent the failure to obtain such consent, waiver, authorization or approval would not have a Material Adverse Effect.

Section 5.6 Compliance with Law. Except as set forth on Schedule 5.6, to the best knowledge of Sellers, the Sellers (a) are not in violation of any law, regulation, order or other legal requirement with respect to or affecting the Assets which violation could have a Material Adverse Effect and (b) are not in default of any order, writ, judgment, award, injunction or decree of any national, state or local court or governmental or regulatory authority or arbitrator, domestic or foreign, applicable to the Business or any of the assets, properties or operations thereof including, without limitation, the Assets.

Section 5.7 Litigation. Except as set forth in Schedule 5.7, and except for the Reorganization Case and claims filed with the Bankruptcy Court in connection therewith, there are no claims, complaints, charges, actions, suits, condemnation or other proceedings, labor disputes or investigations pending before any federal or state court, arbitrator or governmental authority brought by or against either of the Sellers or, to the Sellers' knowledge, threatened to be brought against either of the Sellers, which, if adversely determined, would have a Material Adverse Effect.

Section 5.8 Labor Relations.

(a) The Sellers are not a party to any collective bargaining agreement or collective bargaining relationship and there are no unfair labor practice or representation proceedings pending or threatened with respect to the Sellers and any of their current or former employees or any labor or other collective bargaining unit representing any current or former employee of the Sellers.

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(b) To the best knowledge of Sellers, Sellers are in compliance with all federal, state and local laws, regulations and orders relating to the employment of labor, including, without limitation, all such laws, regulations and orders relating to wages, hours, WARN, collective bargaining, discrimination, civil rights, safety and health, workers' compensation and the collection and payment of withholding and/or social security taxes and any similar tax except for non-compliance that would not result in a Material Adverse Effect.

Section 5.9 Employee Benefits. Schedule 5.9 lists all Employee Benefit Plans (including Multiemployer Plans and the Severance Plans) whether or not covered by ERISA, and any executive compensation arrangement, excess benefit plan or supplemental pension plan, change in control agreement or other severance plan or arrangement that either of the Sellers maintains, or to which either of the Sellers contributes. With respect to all Employee Benefit Plans listed in Schedule 5.9, the Sellers have delivered to the Buyer complete and accurate copies of all applicable plans (to the extent in written form) and related summary plan descriptions.

Section 5.10 Contracts. Set forth on Schedule 5.10 is a list of all Contracts. The Sellers have delivered to the Buyer copies of all Assigned Contracts which copies are true and complete in all respects. All Assigned Contracts are and, subject to the Order, at Closing will be in full force and effect and are, and subject to the Order, at Closing will be legally binding and enforceable by and against the Sellers and the other parties thereto. Neither of the Sellers is in monetary default under any Assigned Contract to which it is a

party and there is no non-monetary default that could have a Material Adverse Effect. No condition, event or act is existing or has occurred that (with or without the lapse of time or the giving of notice, or both) would result in any monetary default under any Assigned Contract or which would result in a non-monetary default under any Assigned Contract that could have a Material Adverse Effect.

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Section 5.11 Inventory. The Inventory is, and at Closing will be, usable or salable in the ordinary course of business consistent with Sellers' past practices. In-process and finished goods have been produced in compliance with Sellers's applicable quality control procedures and are fit for the uses intended.

Section 5.12 Purchase Orders. Except as set forth on Schedule 5.12, all Purchase Orders outstanding as of the date hereof have been entered into by the Sellers in the ordinary course of business consistent with past practice.

Section 5.13 Permits. A list of all Permits is set forth on Schedule 5.13. Except with respect to matters disclosed on Schedule 5.6, all Permits have been paid for and are in full force and effect with respect to each of the Premises. Except with respect to matters disclosed on Schedule 5.6, Sellers have no knowledge of any law or regulation of any governmental authority having jurisdiction which might require any of the Premises to be improved beyond its present state or which might restrict the use and enjoyment of any of the Premises in the manner in which it is currently being used and enjoyed.

Section 5.14 Leases. Each of the Leases is, and, subject to the Order, as of the Closing shall be, a valid and subsisting lease enforceable against the parties thereto in accordance with its terms with no amendments or other modifications thereto that are not listed on Schedule 5.10. Except as set forth in Schedule 5.14, to the Sellers' knowledge, no default of a landlord under any of such Leases, after giving effect to applicable grace periods, if any, exists or is alleged to exist. Except as set forth on Schedule 5.14, Sellers have not received any notices alleging a default by Sellers under the Leases and there are no monetary defaults by Sellers under any of the Leases and there are no non-monetary defaults under any Lease that would have a Material Adverse Effect.

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Section 5.15 Environmental Matters. The Sellers have furnished to the Buyer copies of all reports, tests, notices, studies and other like information in the possession of or ordered by Sellers relating to the presence or absence of toxic or hazardous materials at the Leased Real Property. To the best of Sellers' actual knowledge, except as set forth in Schedule 5.15, neither the Sellers nor any of the Leased Real Property are in violation of any Environmental Law.

Section 5.16 Insurance. Annexed hereto as Schedule 5.16 is a true and complete list of all insurance policies held by Sellers, including the names of the insurance carriers, a general description of the risks insured against under each policy, the amount of coverage, the named insured or insureds thereunder, the annual premium and the effective date and terms thereof. True and correct copies of all such insurance policies have been delivered to Buyer. The coverage under such policies is adequate to cover all risks of Sellers which reasonably and prudently should be insured against with regard to the Assets and in the operation and conduct of the Business. All such policies are in full force and effect and no notice or warning of cancellation, termination or premium increase has been received with respect thereto, and Sellers are in compliance with all conditions contained therein.

Section 5.17 Intellectual Property Rights. Schedule 5.17 sets forth a list of all Intellectual Property Rights of Sellers. Copies of all registrations and applications with respect thereto filed with or issued by any governmental body have been delivered to Buyer. Except as set forth on Schedule 5.17, (i) all Intellectual Property Rights are owned by Sellers; (ii) none of the Intellectual Property Rights have been assigned, pledged, mortgaged, transferred or licensed to or from any third person, (iii) Sellers have not received any written notice of invalidity, infringement or misappropriation from any third party with respect to any Intellectual Property Rights; (iv) to the knowledge of Sellers, Sellers have not interfered with, infringed upon,

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misappropriated or otherwise come into conflict with any intellectual property or other rights of any third parties; and (v) to the knowledge of Sellers, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property Rights of Sellers.

Section 5.18 Equipment. Schedule 5.18 sets forth a list of all Equipment with an original purchase price in excess of \$10,000. Except as otherwise set forth in Schedule 5.18, Sellers have good and valid title to all of the Equipment and the Equipment is in good operating condition and repair and is suitable for the uses for which it is currently used.

Section 5.19 Condition of Title of Assets. Except as set forth on Schedule 5.19, Sellers own all the Assets free and clear of any and all Liens except for claims that may be filed with the Bankruptcy Court in the Reorganization Case. At Closing, the Assets will be transferred to Buyer free and clear of all Liens, including, without limitation, any and all Liens for Taxes.

Section 5.20 Brokers' and Finders' Fees. Except for Kurt Salmon Associates Capital Advisors, Inc. ("KSA") no advisor, broker, finder or any other Person has been consulted or performed any services in connection with the transactions contemplated by this Agreement by or for the Sellers. All fees and expenses due and owing to KSA shall be the sole responsibility of Sellers.

Section 5.21 Hong Kong Receivables. The accounts receivable of M&L Hong Kong as of the Closing Date will be valid and collectible in full.

Section 5.22 Disclaimer. Except as otherwise set forth in this Agreement, Sellers make no representation or warranty concerning the condition of the Assets and the Assets are being sold "as is" and "where is."

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ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Each Buyer hereby represents and warrants to the Sellers as follows:

Section 6.1 Organization. M&LIG is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own its properties and assets and to conduct its business as now conducted. M&LHK is a corporation duly organized, validity existing and in good standing under the laws of Hong Kong, and has all requisite corporate power and authority to own its properties and assets and to conduct its business as now conducted. Amerex is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, and has all requisite corporate power and authority to own its properties and assets and to conduct its business as now conducted.

Section 6.2 Authorization and Validity of Agreements. Each Buyer has all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance by each Buyer of its obligations hereunder and thereunder have been duly authorized by all necessary actions of the members, managers and directors of each Buyer, as the case may be. This Agreement has been duly executed by each Buyer and constitutes the valid and binding obligations of each Buyer, enforceable against each Buyer in accordance with its terms.

Section 6.3 No Conflict or Violation. The execution, delivery and performance by each Buyer of this Agreement does not and will not violate or conflict with any provision of the Certificate of Formation or Limited Liability Company Agreement of M&LIG, the Articles of Incorporation or By-Laws of M&LHK, or the Certificate of Incorporation or By-Laws of

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Amerex, and does not and will not violate any provisions of law, or any order, judgment or decree of any court or other governmental or regulatory authority applicable to any Buyer, nor violate nor will result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which any Buyer is a party or by which any Buyer is bound or to which any of its properties or assets is subject.

Section 6.4 Consents and Approvals. The execution, delivery and performance of this Agreement on behalf of each Buyer do not require the consent

or approval of, or filing with, any Government, governmental body or agency or other entity or Person except: (i) as may be required to transfer any Permits; (ii) entry of the Order by the Bankruptcy Court; and (iii) the approval of the Managers of M&LIG, the Board of Directors of M&LHK, and the Board of Directors of Amerex (which limited liability company and corporate approvals have been obtained).

Section 6.5 Brokers' and Finders' Fees. Except for Houlihan Lokey, no advisor, broker, finder or any other Person has been consulted or performed any services in connection with the transactions contemplated by this Agreement by or for Buyer. All fees, costs and expenses due and owing to Houlihan, Lokey shall be the sole responsibility of Buyer.

Section 6.6 Acknowledgment by Buyer. Buyer has inspected the Assets and has relied upon such inspection and Buyer acknowledges that, except for the representations and warranties of Sellers set forth in this Agreement, the Assets are being sold "as is" and "where is." Buyer acknowledges that its offer to purchase the Assets pursuant to this Agreement is subject to Higher and Better Offers and that other bidders may receive from Sellers information about the Assets and that Sellers and their respective employees are bound by their fiduciary duties under the Bankruptcy Code.

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ARTICLE VII

COVENANTS OF THE SELLERS

The Sellers covenant as follows:

Section 7.1 Conduct of Business Before the Closing Date
Acknowledgment by Buyer.

Subject to the terms and conditions of Bankruptcy Court orders in the Reorganization Case consistent with this Agreement and the Interim Agreement, including a contemplated cash collateral stipulation with the Secured Bank Group:

(a) From the date hereof to the Closing Date, without the prior written consent of the Buyer, the Sellers shall not make any material change in (i) the physical condition of any Leased Real Property, or (ii) the operation of the Business, and the Sellers shall conduct the Business in the ordinary course consistent with the Sellers' status as debtors and debtors in possession under chapter 11 of the Bankruptcy Code, except in all cases as required or expressly permitted pursuant to the terms hereof and the Interim Agreement. Buyer hereby consents to the operation of the Business pursuant to the budget annexed hereto as Schedule 7.1 (the "Budget"). Notwithstanding anything in this Agreement to the contrary, Sellers shall not be obligated to open letters of credit for the benefit of Sellers' suppliers or to place orders except as contemplated by the Interim Agreement.

(b) Without limiting the generality of the foregoing, from the date hereof to the Closing Date, the Sellers shall (i) use their commercially reasonable efforts to preserve and maintain the Assets and the existing relationships with suppliers, customers and their agencies and others having business with the Sellers; (ii) promptly, and in any event within two (2) days of the Sellers obtaining knowledge thereof, notify Buyer in writing of any material damage to or

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destruction of the Assets; (iii) except as otherwise provided in the Budget, cause all purchases of, and Purchase Orders for, merchandise to be documented in accordance with the Sellers' past practices, except that Sellers shall not be required to open letters of credit for the benefit of Sellers' suppliers; and (iv) maintain in effect the insurance policies listed in Schedule 5.16.

(c) Notwithstanding any other provisions of this Section 7.1, and except as otherwise provided in Section 14.15, from the date hereof to the Closing Date, the Sellers shall not renew, or fail to renew, any Lease relating to any Leased Real Property pursuant to a renewal option contained therein, or exercise any options with respect thereto, or amend any Assigned Contract, without the prior written consent of Buyer.

Section 7.2 Consents and Approvals. The Sellers shall use commercially reasonable efforts to obtain all necessary consents, waivers, authorizations and

approvals of all governmental and regulatory authorities, domestic and foreign, and of all other Persons whose consent is required in order for the Sellers to be able to enter into and consummate the transactions contemplated by this Agreement.

Section 7.3 Access to Properties and Records. Except as otherwise granted, limited or addressed in this Agreement, from the date hereof to the Closing Date (or the earlier termination of this Agreement pursuant to Article XIII), the Sellers shall, during normal business hours, (i) provide to the Buyer and its representatives full access to the Premises, Books & Records, and other information of each of the Sellers as it relates to the Assets, and (ii) make available for inspection and copying by the Buyer copies of any documents relating to the foregoing.

Section 7.4 Assigned Contracts. On the Closing Date, the Sellers shall assume, pursuant to Section 365 of the Bankruptcy Code, all Assigned Contracts, with the costs, expenses

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and liabilities of such assumption to be borne by Sellers as provided for in section 365 of the Bankruptcy Code.

Section 7.5 Reasonable Efforts. Sellers will use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary or proper consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated hereby.

Section 7.6 Curing of Default under Assigned Contracts. The Sellers shall, on or prior to the Closing, cure any and all defaults under the Assigned Contracts which are required to be cured pursuant to the Order so that such contracts may be assumed by the Sellers and assigned to the Buyer in accordance with the provisions of Section 365 of the Bankruptcy Code, and Buyer shall have no liability or responsibility for such defaults. At Closing, Sellers shall assign to Buyer all their rights under the Assigned Contracts free and clear of all Liens.

Section 7.7 Notice to the Buyer. The Sellers shall notify the Buyer in writing of (i) any fact or circumstance which will cause any of the representations or warranties set forth in Article V that are qualified by a materiality standard to be untrue as of the Closing Date; and (ii) any fact or circumstance which will cause any of the representations and warranties set forth in Article V that are not qualified by a materiality standard to be materially untrue as of the Closing Date.

Section 7.8 Break-Up Fee. If (i) Sellers accept an alternative offer to purchase the Assets and do not sell the Assets to Buyer, and Buyer is not in breach of this Agreement, or if, (ii) in violation of the Order, Sellers do not close the sale of the Assets, or if, (iii) Sellers move to withdraw the Order or the Motion; in any of the foregoing instances, Sellers shall pay to Buyer the sum of \$250,000 (the "Break-up Fee").

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Section 7.9 Higher and Better Offers; Bidding Procedures. Immediately after the execution and delivery of this Agreement and commencement of the Reorganization Case, M&L International shall file a motion with the Bankruptcy Court (the "Preliminary Motion") requesting orders (the "Preliminary Orders") approving: (i) the Break-up Fee; (ii) a bidding procedure for alternative offers and counter offers (the "Bidding Procedure"); (iii) an abbreviated notice period for a hearing with respect to the Order; and (iv) the Interim Agreement. Such Bidding Procedure shall provide that alternative offers shall contain the additional undertaking by such alternative bidder ("Alternative Bidder") to: (x) pay to the Buyer the Break-up Fee provided in Section 7.8; (y) pay to Amerex the Service Fee and reimburse Amerex for the Expenses as required by Section 3.2 of the Interim Agreement; and (z) perform and assume the obligations set forth in Section 3.3 of the Interim Agreement (collectively, the "Additional Undertakings"). Such Preliminary Orders and Bidding Procedure shall further provide that the Sellers shall not be required to entertain an alternative offer unless such offer is for a value of at least \$250,000 greater than the offer set forth in this Agreement plus the Additional Undertakings (the "Higher and Better Offer"). Such Preliminary Orders and Bidding Procedure shall further provide that counter offers shall be made in increments of at least \$100,000; that in all instances Alternative Bidders shall, in addition to the higher cash offer, assume the Additional Undertakings; and that Buyer shall be exempt from assuming the Additional Undertakings and shall be deemed to have made the highest and best offer as long as its cash offer is at least \$100,000 more than the cash

offer made by the Alternative Bidder making the highest Higher and Better Offer.

Section 7.10 Application for the Order. Within three (3) days after the execution and delivery of this Agreement and commencement of the Reorganization Case, the Sellers shall,

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following consultation with the Buyer, file a motion (the "Motion") with the Bankruptcy Court seeking an order pursuant to Sections 363 and 365 of the Bankruptcy Code (the "Order"), in substantially the form of Exhibit B annexed hereto, authorizing and approving the sale and assignment of the Assets on the terms and conditions set forth in this Agreement. The Sellers shall request the Court to schedule one or more hearings to approve the sale of the Assets on or before February 26, 1999 (the "Sale Hearing"), and shall further request that the Order provide that (i) the Bankruptcy Court shall retain jurisdiction to determine any claims, disputes or causes of action arising out of or relating to this Agreement or any of the transactions contemplated hereby (including any objections to the sale of the Assets hereunder), (ii) the Buyer is a bona fide good faith purchaser, (iii) the Sellers are authorized to sell, assign, transfer and convey the Assets pursuant to Sections 363 and 365 of the Bankruptcy Code free and clear of all liens, pledges, security interests and encumbrances of every kind and nature and other interests, with all such liens, pledges, security interests, encumbrances and interests attaching to the proceeds of sale to the extent and in the same order of priority of any existing liens, security interests, encumbrances and interests of record or as may be determined by the Court. In furtherance of obtaining the Order, the parties shall file such affidavits, motions and other papers, and take such other action, in the Reorganization Case as shall be necessary or appropriate to support the sale of the Assets to the Buyer on the terms and conditions of this Agreement subject to Sellers' obligation to seek approval of Higher and Better Offers and perform its obligations as a debtor-in-possession. The Sellers shall provide to the Buyer, at the time of filing, a true and complete copy of the Motion papers.

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Section 7.11 Post Closing Responsibilities of Sellers. After the Closing, Sellers shall be responsible for and shall pay to Buyer: (i) the Processing Fee, as more specifically set forth in Section 8.4 hereof; and, (ii) any fee agreed upon for the collection of Sellers' Receivables.

Section 7.12 Misdirected Payments. If any payments by customers in respect of receivables other than Sellers' Receivables are paid to Sellers, Sellers shall, within five (5) days after receipt thereof, remit such payment to Buyer.

Section 7.13 Trademark Assignments. At or prior to the Closing, Sellers shall record with the United States Patent and Trademark Office, or deliver to Buyer, an assignment from Mackintosh to M&L International of the trademarks and trademark applications listed on Schedule 2.1(a)(v) under the heading "Mackintosh Trademarks," duly executed and in recordable form.

Section 7.14 Access to Books and Records. From and after the Closing, Sellers shall, during regular business hours and upon reasonable prior written notice, grant to Buyer access to Books and Records of Sellers pertaining to the Excluded Assets to the extent Buyer requires such access in connection with responding to any inquiries of any Government or for other reasonable purposes specified in reasonable detail by Buyer.

Section 7.15 Withdrawal of Motion or Order by Sellers. If Sellers move to withdraw the Motion or the Order, then, in addition to any other rights and remedies of Buyer hereunder, (i) Buyer shall be permitted to solicit and hire employees of Sellers without any liability to Sellers and (ii) Sellers hereby agree that Kurt Gutfreund ("Gutfreund") shall be released from any and all claims, causes of action, obligations and liabilities to Sellers (including under his present employment agreement with M&L International) without the execution of any further instrument, other than a release from Gutfreund releasing Sellers from any liabilities with respect

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to his employment by Sellers (other than compensation and incentive compensation already earned but unpaid, and reimbursable expenses not previously reimbursed), and Sellers acknowledge receipt of good and valuable consideration therefor,

provided, however, that Buyer shall make reasonably available to Sellers, to assist Sellers in the liquidation of its assets, at reasonable times and upon reasonable request, employees hired by Buyer.

ARTICLE VIII

COVENANTS OF BUYER

Section 8.1 Actions Before Closing Date. Prior to Closing, the Buyer shall not take any action which shall cause it to be in breach of any representations, warranties, covenants or agreements contained in this Agreement. The Buyer shall use commercially reasonable efforts to perform and satisfy all conditions to Closing to be performed or satisfied by the Buyer under this Agreement as promptly as practicable, but in no event later than the Closing Date.

Section 8.2 Consents and Approvals. The Buyer shall use commercially reasonable efforts to obtain all necessary consents, waivers, authorizations and approvals of all governmental and regulatory authorities, domestic and foreign, and of all other Persons whose consent is required in order for the Buyer to be able to enter into and consummate the transactions contemplated by this Agreement.

Section 8.3 Collection of Sellers' Accounts Receivable. Subject to Buyer and Sellers entering into a mutually acceptable agreement satisfactory to the Secured Bank Group, after the Closing, Buyer hereby agrees to assist Sellers in the collection of Sellers' accounts receivable existing as of the close of business on the day prior to the Closing Date ("Sellers' Receivables").

Section 8.4 Returns of Sellers' Goods. Buyer agrees to accept from customers, and to process, returns of goods sold by Sellers prior to the Closing Date ("Returned Goods"). Sellers

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shall pay to Buyer a fee equal to five percent (5%) of the Sellers' cost of any and all Returned Goods (the "Processing Fee") as reimbursement for Buyer's costs and expenses of processing, handling, postage, storage, transportation and servicing of Returned Goods. Such payment shall be made by Sellers within thirty (30) days after receipt of Buyer's monthly statement therefor. If the Returned Goods are claimed by the customer to be damaged or non-conforming, or if such Returned Goods are in fact damaged or nonconforming, then Buyer shall give Sellers notice of such Returned Goods (the "Returned Goods Notice") and Sellers and Sellers' designated agents or representatives shall have the right to inspect such Returned Goods. If Sellers do not object in writing within five (5) days after delivery of the Returned Goods Notice, then the Returned Goods shall be deemed to be damaged or nonconforming goods ("Damaged Goods"). If Sellers so advise Buyer of their desire to do so by written notice delivered within five (5) days after delivery of the Returned Goods Notice, Sellers shall have the right, at Sellers' sole cost and expense, to take possession of Damaged Goods and, after removing all labels and other proprietary markings and references indicating origin of the Damaged Goods, to sell the Damaged Goods for their own account. Sellers shall not be entitled to any compensation with respect to Damaged Goods. If the Returned Goods are finished goods for Fall 1998 or Spring 1999 styles and are not Damaged Goods, Buyer shall, provided any and all Liens on such Returned Goods have been released and discharged pursuant to an order of the Bankruptcy Court, compensate Sellers in the amount of sixty percent (60%) of Sellers' Cost of such Returned Goods, less the Processing Fee. If the Returned Goods are finished goods for styles older than Fall 1998 and are not Damaged Goods, Buyer shall, provided any and all Liens on such Returned Goods have been released and discharged pursuant to an order of the Bankruptcy Court, compensate Sellers in the amount of fifty percent (50%) of Sellers' Cost of such Returned

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Goods, less the Processing Fee. Payment in respect of such Returned Goods shall be remitted to Sellers on a monthly basis together with a statement indicating all Returned Goods for the period. Such statement shall be subject to audit by Sellers, as reasonably requested. Any and all Returned Goods purchased by Buyer shall be held by Buyer free and clear of any and all liens, pledges, charges, judgments, security interests and encumbrances of every kind or nature. Notwithstanding the foregoing, in no event shall Buyer be obligated to purchase Returned Goods in excess of \$1,000,000, in the aggregate, at Sellers' cost. Upon receiving any Returned Goods in excess of \$1,000,000 at Sellers' cost ("Excess Returned Goods"), Buyer shall, within five (5) days after receipt thereof, elect whether or not to purchase such Excess Returned Goods. If Buyer elects not to purchase any Excess Returned Goods, Buyer shall so notify Sellers in writing

within five (5) days after receipt of such Excess Returned Goods whereupon Sellers shall have the right to accept such Excess Returned Goods and to sell them. To facilitate such sale by Sellers, Buyer grants to Sellers a limited non-exclusive license and sublicense to utilize the Intellectual Property Rights solely in connection with the sale of Excess Returned Goods.

Section 8.5 Right to Set-off. Buyer shall have the right to set off the Processing Fee against any amounts owed by Buyer to Sellers for undamaged Returned Goods.

Section 8.6 Misdirected Payments. Unless otherwise provided in the agreement referred to in Section 8.3, after the Closing, if any payments by customers in respect of Sellers' Receivables are paid to Buyer, Buyer shall, within five (5) days after receipt thereof, remit such payment to Sellers.

Section 8.7 Access to Books and Records. From and after the Closing, Buyer shall, upon reasonable prior written notice and during regular business hours, provide Sellers with reasonable access to any employees of Buyer who were previously employees of Sellers (and

make such employees available to Sellers and its counsel and accountants), and the Books and Records as necessary or desirable to enable Sellers to comply with their duties under the Bankruptcy Code and Bankruptcy Rules, including without limitation, their duties and responsibilities relating to (i) preparing and filing of operating reports, (ii) preparing and filing schedules of assets and liabilities, (iii) preparing and filing their statement of financial affairs, (iv) attending statutory meetings of creditors, (v) analyzing claims (including preparing objections to claims), (vi) attending hearings and depositions relating to collecting assets of M&L International's estate, (vii) preparing and filing tax returns, (viii) preparing and filing data and information required to comply with applicable securities laws. Sellers shall be responsible for reimbursing Buyer for the reasonable costs and expenses actually incurred for any travel, food and lodging for Buyer's employees who are required to travel to New York, New York, to attend hearings or depositions and such obligation of Sellers shall constitute a priority administrative claim in the Reorganization Case. In addition, from and after the Closing, Buyer shall, during regular business hours and upon reasonable prior written notice, grant to Sellers access to the Books and Records to the extent Sellers require such access to respond to inquiries of any Government or for other reasonable purposes specified in reasonable detail by Sellers.

ARTICLE IX

EMPLOYEES

Section 9.1 Termination of Employees. Immediately prior to the Closing and in accordance with the applicable requirements of all applicable laws, rules, regulations and orders, including, without limitation, WARN, if applicable, Sellers shall terminate the employment of each of its employees who perform services for or with respect to the operations of the Business (the "Business Employees"). Buyer shall offer employment to the Business Employees listed on

Schedule 9.1 on such terms and conditions as Buyer shall, in its sole discretion, determine. Prior to the Closing Date, Sellers shall provide Buyer with reasonable access to the Business Employees for purposes of interviewing and communicating offers of employment. Any Business Employee who becomes employed by Buyer (or any Affiliate of Buyer) is hereinafter referred to as a "Transferred Employee."

Section 9.2 COBRA. Buyer shall have no liability under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") or any similar state or local law, to any Business Employee who does not become a Transferred Employee. Sellers shall have no liability under COBRA or any similar state or local law with respect to any Transferred Employee.

Section 9.3 Employee Benefit Plans. Sellers shall have no liability for claims by any Transferred Employee accruing on or after January 1, 1999 under Employee Benefit Plans maintained by Buyer for Transferred Employees. Buyer shall have no liability for claims by any Business Employee accruing prior to January 1, 1999 under Employee Benefit Plans maintained by Sellers for Business Employees.

ARTICLE X

Unless the Order provides for an exemption therefrom, all state and local transfer, excise, value-added or other similar taxes, and all recording and filing fees (collectively, "Transaction Taxes") that may be imposed by reason of the sale, transfer, assignment and delivery of the

Assets shall be the sole responsibility of Sellers, except that Buyer shall pay all recording fees with respect to trademark assignments.

ARTICLE XI

CONDITIONS PRECEDENT TO PERFORMANCE BY THE SELLERS

The obligations of the Sellers to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or before the Closing Date, of the following conditions, any one or more of which may be waived by the Sellers in their sole discretion:

Section 11.1 Representations and Warranties of the Buyer. All representations and warranties made by each Buyer in this Agreement shall be true and correct in all respects on and as of the Closing Date as if again made by such Buyer on and as of such date, except for failures to be true and correct that do not result in a material adverse effect on such Buyer's ability to execute and deliver this Agreement or perform its obligations hereunder, and the Sellers shall have received a certificate dated the Closing Date and signed by the Chairman, President or the Chief Financial Officer of each Buyer to that effect. Notwithstanding anything herein to the contrary, the representations and warranties of each Buyer shall not survive the Closing.

Section 11.2 Performance of the Obligations of the Buyer. Each Buyer shall have performed in all material respects all obligations required under this Agreement and such Buyer shall have performed in all material respects all obligations required under the Interim Agreement to be performed by it on or before the Closing Date, and the Sellers shall have received a certificate dated the Closing Date and signed by the Chairman, President or the Chief Financial Officer of each Buyer to that effect, and each Buyer shall have delivered to Sellers on

or before the Closing Date the documents, instruments and certificates set forth on Schedule 11.2.

Section 11.3 Consents and Approvals. Other than the Bankruptcy Court's entry of the Order which is addressed in Section 11.5, all consents, waivers, authorizations and approvals of any governmental or regulatory authority, domestic or foreign, or any other Person, required in connection with the execution, delivery and performance of this Agreement, shall have been duly obtained and shall be in full force and effect on the Closing Date.

Section 11.4 No Violation of Orders. No preliminary or permanent injunction or other order issued by any court or other governmental or regulatory authority, domestic or foreign, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any government or governmental or regulatory authority, domestic or foreign, that declares this Agreement invalid or unenforceable in any respect or which prevents or stays the consummation of the transactions contemplated hereby shall be in effect.

Section 11.5 Entry of the Order. The Bankruptcy Court shall have entered the Order and no order staying, reversing, modifying or amending the Order shall then be in effect.

ARTICLE XII

CONDITIONS PRECEDENT TO THE PERFORMANCE BY THE BUYER

The obligations of the Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or before the Closing Date, of the following conditions, any one or more of which may be waived by the Buyer in its sole discretion:

Section 12.1 Representations and Warranties of the Sellers. All representations and warranties made by the Sellers in this Agreement shall be true and correct in all respects on and as of the Closing Date as if again made

be true and correct that do not have a Material Adverse Effect, and the Buyer shall have received a certificate dated the Closing Date and signed by a Vice President or by the chief financial officer of each of the Sellers to that effect. Notwithstanding anything herein to the contrary, the representations and warranties of Sellers shall not survive the Closing.

Section 12.2 Performance of the Obligations of the Sellers. The Sellers shall have performed in all material respects all obligations required under this Agreement and the Interim Agreement to be performed by them on or before the Closing Date, and the Buyer shall have received a certificate dated the Closing Date and signed by a Vice President or the chief financial officer of each of the Sellers to that effect, and the Sellers shall have delivered to the Buyer on or before the Closing Date the documents, instruments and certificates set forth on Schedule 12.2.

Section 12.3 Consents and Approvals. Other than the entry by the Bankruptcy Court of the Order which is addressed in Section 12.7, all consents, waivers, authorizations and approvals of any governmental or regulatory authority, domestic or foreign, or any other Person required in connection with the execution, delivery and performance of this Agreement shall have been duly obtained and shall be in full force and effect on the Closing Date.

Section 12.4 No Violation of Orders. No preliminary or permanent injunction or other order issued by any court or governmental or regulatory authority, domestic or foreign, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any government or governmental or regulatory authority, which declares this Agreement invalid in any respect or prevents or stays the consummation of the transactions contemplated hereby, shall be in effect.

Section 12.5 No Material Adverse Change. No material adverse change resulting from fire or other casualty that is not insured shall have occurred in, or with respect to, the Assets or Business, at any time after the date hereof.

Section 12.6 Intentionally Omitted.

Section 12.7 Entry of the Order. The Bankruptcy Court shall have entered the Order and no order staying, reversing, modifying or amending the Order shall then be in effect.

ARTICLE XIII

TERMINATION

Section 13.1 Conditions of Termination. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time before the Closing:

(a) By mutual consent of the Sellers and the Buyer;

(b) By the Buyer, if any condition contained in Article XII, other than Section 12.7, has not been satisfied or waived by the Closing Date;

(c) By the Buyer or the Sellers, if any court or other governmental or regulatory authority has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action has become final and non-appealable;

(d) By the Buyer, if the Buyer provides the Sellers with written notice of a failure to fulfill the condition set forth in Section 12.2 and the Sellers have failed within 15 days after such notice to have fulfilled such condition or provide adequate assurance to the Buyer of the Sellers' ability to fulfill such condition;

(e) By Buyer, if a material adverse change has occurred in, or with respect to, the Assets or the Business at any time after the date hereof;

(d) By the Buyer, if the condition set forth in Section 12.7 has not been satisfied by March 5, 1999 or, if additional time is required by

(f) By Sellers, if any condition contained in Article XI has not been satisfied or waived by the Closing Date;

(g) By Sellers, if Sellers provide Buyer with written notice of a failure to fulfill the condition set forth in Section 11.2 and Buyer has failed within 15 days after such notice to have fulfilled such condition, or provide adequate assurance to Sellers of Buyer's ability to fulfill such condition;

(h) By Buyer, if the Preliminary Motion referred to in Section 7.9 is not filed immediately after execution and delivery of this Agreement and commencement of the Reorganization Case, upon written notice delivered to Sellers within three (3) days after such failure to file or such later date as the parties shall mutually agree upon;

(i) By Buyer, if the Preliminary Orders referred to in Section 7.9 are not entered by the Bankruptcy Court by February 9, 1999, upon written notice delivered to Sellers within three (3) days after such failure or such later date as the parties shall mutually agree upon; and

(j) By Buyer, if the Motion is not filed within three (3) days after execution and delivery of this Agreement and commencement of the Reorganization Case, upon written notice delivered to Sellers within three (3) days after such failure to file or such later date as the parties shall mutually agree upon.

If the Buyer or the Sellers terminate this Agreement pursuant to the provisions hereof, such termination will be effected by written notice to the other party specifying the provision hereof pursuant to which such termination is made.

Section 13.2 Specific Performance. (a) Sellers acknowledge and agree that if, after entry of the Order, Sellers fail to proceed with the Closing in any circumstance other than those

described in clauses (a), (c), (g) or (h) of Section 13.1 above, Buyer will not have adequate remedies at law with respect to such breach. In such event, and in addition to Buyer's right to terminate this Agreement, Buyer shall be entitled, without the necessity or obligation of posting a bond or other security, to seek from the Bankruptcy Court specific performance of Sellers' obligations under this Agreement. Sellers specifically affirm the appropriateness of such injunctive or other equitable relief in any such action.

(b) Buyer acknowledges and agrees that if, after entry of the Order, Buyer fails to proceed with the Closing in any circumstance other than those described in clauses (a), (b), (c), (d) or (e) above, Sellers will not have adequate remedies at law with respect to such breach. In such event, and in addition to Sellers' right to terminate this Agreement, Sellers shall be entitled, without necessity or obligation of posting a bond or other security, to seek from the Bankruptcy Court specific performance of Buyer's obligations under this Agreement. Buyer specifically affirms the appropriateness of such injunctive or other equitable relief in any such action.

Section 13.3 Effect of Termination; Right to Proceed. In the event that this Agreement shall be terminated pursuant to Section 13.1, the agreements contained in Sections 3.4, 7.8, 7.15 and 14.3 shall survive the termination hereof, provided that the Break-up Fee shall only be payable if approved by the Bankruptcy Court. In the event that a condition precedent to its obligation is not met, nothing contained herein shall be deemed to require any party to terminate this Agreement as opposed to waiving such condition precedent and proceeding with the transactions contemplated by this Agreement.

ARTICLE XIV

GENERAL AND MISCELLANEOUS

Section 14.1 Successors and Assigns. Except as otherwise provided in this Agreement, no party hereto shall assign this Agreement or any rights or

obligations hereunder without the prior written consent of the other parties hereto and any such attempted assignment without such prior written consent shall be void and of no force and effect.

Section 14.2 Governing Law; Jurisdiction. This Agreement shall be construed, performed and enforced in accordance with, and governed by, the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof. Except as specifically provided herein, the parties hereto irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with this Agreement, and consent to the jurisdiction of the Bankruptcy Court.

Section 14.3 Expenses. Except as otherwise provided herein, each of the parties hereto shall pay its own expenses in connection with this Agreement and the transactions contemplated hereby, including, without limitation, any legal and accounting fees, whether or not the transactions contemplated hereby are consummated.

Section 14.4 Notice of Bankruptcy Proceedings. The Sellers shall, from and after the date hereof, provide the Buyer's counsel with all notices and pleadings filed by the Sellers in the Reorganization Case in accordance with Federal Rule of Bankruptcy Procedure 2002.

Section 14.5 Further Assurances. The Sellers and the Buyer agree that, from time to time, whether before, at or after the Closing Date, each of them shall forthwith execute and deliver such documents as the Buyer or the Sellers or their respective counsel may reasonably request to effectuate the purposes of this Agreement.

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Section 14.6 Severability. In the event that any part of this Agreement is declared by any court or other judicial or administrative body to be null, void or unenforceable, said provision shall survive to the extent it is not so declared, and all of the provisions of this Agreement shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

Section 14.7 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given: (i) on the date of service if served personally on the party to whom notice is to be given; (ii) on the day of transmission if sent via facsimile transmission to the facsimile number given below, and electronic confirmation of receipt is obtained promptly after completion of transmission; (iii) on the date after delivery to Federal Express or similar overnight courier or the Express Mail service maintained by the United States Postal Service; or (iv) on the fifth day after mailing, if mailed to the party to whom notice is given, by first class mail, registered or certified, postage prepaid and properly addressed, to the party as follows:

If to Sellers:

M&L International, Inc.
c/o Trivest
2665 South Bayshore Drive
Suite 800
Miami, Florida 33133-5301
Attn: Peter Vandenberg, Jr.
Telecopier No.: (305) 285-0102

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Copy to:

Greenberg Traurig
Met Life Building
200 Park Avenue, 15th Floor
New York, New York 10166
Attn: Richard N. Tilton, Esq.
Telecopier No.: (212) 801-6400

Salomon Green & Ostrow, P.C.
919 Third Avenue
15th Floor

New York, New York 10022
Attn: Nicholas F. Kajon, Esq.
Telecopier No.: (212) 319-8505;

Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, New York 10178-0060
Attn.: Mark F. Liscio, Esq.
Telecopier No.: (212) 309-6273;

And, if a committee is appointed in the Reorganization Case, to counsel for such committee at the address specified by Sellers in written notice to Buyer given in the manner set forth herein.

If to the Buyer:

M & L International Group, LLC
c/o AMEREX (USA) Inc.
350 Fifth Avenue
New York, New York 10018
Attn: Fred R. Shvets, Chairman
Telecopier No.: (212) 967-3352

Copy to:

Rosen & Reade, LLP
757 Third Avenue
New York, New York 10017
Attn: Lawrence A. Blatte, Esq.
Telecopier No.: (212) 755-5600

Any party may change its address for the purpose of this Section by giving the other party written notice of its new address in the manner set forth above.

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Section 14.8 Amendments; Waivers. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be nor construed as a further or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

Section 14.9 Public Announcements. Subject to Sellers' fiduciary duties, including their obligation to give notice of the proposed sale and the opportunity to make Higher and Better Offers, which will be published in newspapers and periodicals of general circulation, the parties agree that after the signing of this Agreement, neither party shall make any press release or public announcement concerning this transaction without the prior written approval of the other party unless a press release or public announcement is required by law or order of the Bankruptcy Court. If any such announcement or other disclosure is required by law or order of the Bankruptcy Court, the disclosing party agrees to give the nondisclosing party prior notice of, and an opportunity to comment on, the proposed disclosure. The parties acknowledge that the Sellers shall file this Agreement with the Bankruptcy Court.

Section 14.10 Entire Agreement. This Agreement, the Escrow Agreement, the Interim Agreement and all other agreements referred to herein, contain the entire understanding among the parties hereto with respect to the transactions contemplated hereby and supersedes and replaces all prior and contemporaneous

agreements and understandings, oral or written, with regard to such transactions. All schedules hereto and any documents and instruments delivered

pursuant to any provision hereof are expressly made a part of this Agreement as fully as though completely set forth herein.

Section 14.11 Parties in Interest. Except as otherwise provided in Section 7.15, nothing contained in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Sellers and the Buyer and their respective successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligations or liability of any third persons to the Sellers or to the Buyer. No provision of this Agreement shall give any third persons any right of subrogation or action over or against the Sellers or the Buyer.

Section 14.12 Section and Paragraph Headings. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 14.13 Business Days. Any reference in this Agreement to a day shall mean a Business Day. If the day on which any action is required to be performed or to take place is not a Business Day in New York City, then such action shall not be required, or shall not take place, until the next Business Day thereafter.

Section 14.14 Counterparts. This Agreement may be executed in two or more counterparts each of which shall be an original and all of which, taken together, shall be deemed one and the same document.

Section 14.15 Treatment of Lease for Warehouse Premises in Auburn, Washington ("Auburn Lease"). The Sellers and Buyer agree to cooperate in good faith to renegotiate the Auburn Lease with the lessor so that such renegotiated lease will be reasonably acceptable to both Sellers and Buyer. Buyer shall notify Sellers in writing not less than three (3) days prior to

the Sale Hearing whether it elects to purchase the Auburn Lease as part of the Assets being purchased. If Buyer does not elect to purchase the Auburn Lease, then M&L International may elect to reject the Auburn Lease. If M&L International rejects the Auburn Lease, Buyer shall pay to Sellers as additional Purchase Price an amount equal to the full amount of the landlord's allowed claim arising out of such rejection as determined by the Bankruptcy Court, such amount to be paid to Sellers without offset or deduction within ten (10) days after entry of an order of the Bankruptcy Court determining such damages. Such payment shall constitute part of the general assets of the estate of M&L International and shall not be allocated to pay any specific claims.

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

M & L INTERNATIONAL GROUP, LLC

By: _____

Name: FRED R. SHVETZ
Title: Chairman

M & L HONG KONG, LTD.

By: _____

Name: FRED R. SHVETZ
Title: Chairman

M & L INTERNATIONAL, INC.

By: _____

Name: _____
Title: _____

M & L INTERNATIONAL (H.K.) LIMITED

By _____

Name: _____
Title: _____

AMEREX (USA) INC.

By _____

Name: _____
Title: _____

SCHEDULE 3.1

The Purchase Price shall be calculated as follows:

1. The value of the Inventory at the Closing Date. In determining the value of the Inventory, the following guidelines shall be applied:
 - a. Raw materials shall be priced at 50% of Sellers' Cost, except raw materials for Fall 1999 styles which will be priced at 100% of Sellers' Cost.
 - b. Finished goods for Fall 1998 and Spring 1999 styles, for which there are open customer orders, shall be individually priced at the lesser of (i) 92% of Sellers' Cost, or (ii) 70% of net selling price, but in no event less than 60% of Sellers' Cost.
 - c. Finished goods for Fall 1998 or Spring 1999 styles (which are not damaged goods), for which there are no open customer orders shall be priced at 60% of Sellers' Cost.
 - d. Unsold finished goods (which are not damaged goods), which consist of styles older than Fall 1998, shall be priced at 50% of Sellers' Cost.
 - e. Damaged goods shall have no value in the Inventory price calculation.

"Sellers' Cost" shall mean: (i) as to Inventory owned by Sellers as of September 30, 1998, cost as reported in Sellers' September 30, 1998 financial statements (excluding management loads); and (ii) as to Inventory acquired after September 30, 1998, Sellers' landed duty-paid cost including agents' fees and overseas office costs (excluding management loads).

2. Operating Costs and Expenses incurred by the Sellers on a consolidated world-wide basis from January 1, 1999 through the Closing Date. "Operating Costs and Expenses" shall include all normal current period items, calculated on the basis of GAAP consistently applied and shall exclude the following:

- a. Corporate charges and intercompany charges other than normal local M&L Hong Kong charges.
- b. Transaction fees and expenses related to the transactions contemplated by this Agreement.
- c. Interest.
- d. Depreciation and amortization.

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- e. Costs and expenses pertaining to the period prior to January 1, 1999, including, without limitation, the portion of any accrued bonus, vacation, severance and termination benefits for Business Employees attributable to the period prior to January 1, 1999.
- f. Taxes.

3. \$3,000 for the Andy Johns trademarks.
4. Security deposits, prepaid rent and other prepaid expenses as of the Closing Date.
5. 100% of accounts receivable of M&L Hong Kong as of the Closing Date.

There shall be deducted from the above items the following:

6. The greater of (i) 29% of Interim Net Sales; or (ii) Interim Gross Profits.
7. 5% of Inventory returned to the Sellers during the period January 1, 1999 to the Closing Date.

The Purchase Price shall be the total of items 1, 2, 3, 4 and 5 minus items 6 and 7.

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SCHEDULE 1

ASSIGNED CONTRACTS

NEW YORK

1. Ti-Tone Communications, Inc. Service Agreement
Ti-Tone Communications, Inc.
386 Broadway, 2nd floor
New York, New York 10013
(212) 431-7765
dated 5/04/98 thru 5/03/99
M&L & Ti-Tone Communications, Inc.
facsimile service
2. Tele Dynamics Service Contract
Tele Dynamic
330 Seventh Avenue
New York, New York 10001
(212) 594-7333
dated 7/01/98 thru 6/30/99
M&L & Tele Dynamics
telephone system
3. NY Lease SZS 33 Associates L.P.
c/o M.S. Management Associates, Inc.
One Merchant Plaza
P.O. Box 7033

Indianapolis, IN 46207
dated 7/01/93
M&L & SZC 33 Associates L.P.
NY Office space lease

AUBURN

1. Advanced Filter & Mechanical Inc.
Advanced Filter & Mechanical Inc.
516 Valley Avenue Northeast
Puyallup, WA 98372-2503
(253) 770-2443
dated 2/17/98
M&L & Advanced Filter and Mechanical, Inc.
heating and airconditioning service and check

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AUBURN

2. Rider to Alarm Service Agreement
Security Link From Ameritech 3003 16th
Avenue West Seattle, WA 98119
dated 10/15/97
M&L & Security Link from Ameritech
change in alarm system
3. Addendum Rider to Alarm Service Agreement
Security link from Ameritech
3003 16th Avenue West
Seattle, WA 98119
(206) 443-9620
SecurityLink from Ameritech
dated 11/10/97
M&L & SecurityLink form Ameritech
addition to alarm system
4. Copy Kit "plus" Agreement
West Star Business Systems, Inc.
P.O. Box 58043
Seattle, WA 98138-1043
206) 575-9710
dated 2/25/99 thru 2/25/00
M&L & West Star Business Systems, Inc.
service and parts for copy machine

5. Equipment Maintenance
Pitney Bowes
501 N Riverpoint Blvd. Suite 200
Spokane, WA 99202-1664
(800) 522-0020
dated 10/01/98
M&L & Pitney Bowes
mail machine maintenance
6. Postage Meter Rental
Pitney Bowes
501 N. Riverpoint Blvd., Suite 200
Spokane, WA 99202-1664
(800) 522-0020
dated 10/01/98
M&L & Pitney Bowes
mail machine maintenance

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AUBURN

7. Facsimile Rental
Pitney Bowes
501 N Riverpoint Blvd. Suite 200
Spokane, WA 99202-1664
(800) 322-8000
dated 1/01/99
M&L & Pitney Bowes
Fax machine rental
8. Lease
HRP Properties 6
P.O. Box 700
Mercer Island, WA 98040

CHICAGO

1. Amerinet Maintenance Agreement with M & L
Amerinet
324 E. Roosevelt Rd. Suite 201
Wheaton, IL 60187
(708) 653-8699
dated 6/08/92
M&L & Amerinet
service and parts for computers
2. Allcom Equipment Maintenance Agreement
Allcom Inc.
5621 W. Howard Street
Niles, IL 60714
dated 4/01/93
M&L & Allcom Inc.
labor only on phone system/full main. on voice mail
3. Cannon Financial Services Lease
Cannon Financial Service, Inc.
200 Commerce Square Blvd.
P.O. Box 370
Burlington, NJ 08016
(800) 220-0200
dated 12/04/96 for 48 months
M&L & Cannon Financial Services
color copy machine lease

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CHICAGO

4. Maintenance Agreement Service Division
Cannon Financial Service, Inc
200 Commerce Square Blvd.
P.O. Box 370
Burlington, NJ 08016
(800) 220-0200
M&L & Ambassador Office Equipment
color copy maintenance and supplies
5. Addendum to Maintenance Agreement
React Computer Service, Inc.
15W 700 Frontage Rd.
Hinsdale, IL 6052-5543
(708) 323-6200
dated 1/08/98
M&L & React Computer Services, Inc.
printer service
6. Central Station Protective Signaling Service Renewal
Wells Fargo Alarm Service, Inc.
230 W. Division Street
Chicago, IL 60610
(312) 337-3100
dated 9/25/97
M&L & Wells Fargo
security alarm system service
7. Service Purchase Agreement
Peak Technologies
9200 Berger Rd.
Columbia, MD 21046-1602
(410) 312-6000
dated 11/09/98 and 12/30/97
M&L & Peak Technologies
service on dot matrix printers (one for each printer)
8. Credit Recommendation Contract
Crex of New York, Inc. d/b/a Credit International
P.O. Box 5426
Flushing, NY 11354
(718) 539-8085
dated 3/01/98
M&L & CREX of New York, Inc. d/b/a Credit International

CHICAGO

9. Credit Recommendation Contract
Dun & Bradstreet
P.O. Box 92542
Chicago, IL 60675-2542
(800) 284-4953
dated 3/9/98
M&L & Dun & Bradstreet
credit checks
10. Facsimile Rental Agreement
Pitney Bowes
P.O. Box 85390
Louisville, KY 40285-5390
dated 9/23/97 for 36 month minimum
M&L & Pitney Bowes
facsimile rental and maintenance agreement front desk
11. Facsimile Equipment Maintenance
Pitney Bowes
P.O. Box 85390
Louisville, KY 40285-5390
dated 01/01/99 renewal
M&L Pitney Bowes
back fax machine maintenance
12. Equipment Maintenance
Pitney Bowes P.O. Box 85390
Louisville, KY 40285-5390
M&L & Pitney Bowes
mailing machine maintenance
13. QuickLease Agreement
IBM Credit Corp.
1605 LBJ Freeway
Dallas, TX 75234
(972) 280-4750
dated 2/23/98
M&L & IBM Credit Corp.
RS6000 computer and maintenance

CHICAGO

14. Connector Account Schedule Charges
MSCNET
Two Prudential Plaza, Suite 2625
Chicago, IL 60601
(312) 803-6271
dated 01/21/98
M&L & MCSNet
Internet Access
15. Annual Typewriter Maintenance Renewal
United Business Machines
875 E. Rand Rd.
Desplaines, IL 60016
(847) 299-3000
dated 3/12/98
M&L & United Business Machines
typewriter maintenance
16. Preventive Maintenance Agreement
Shavitz and Sons, Inc.
8245 N. Kimball Avenue
Skokie, IL 60076
(708) 674-8252
M&L & Shavitz and Sons, Inc.
heating and air conditioning maintenance
17. Copier Service Agreement
Camadon, Inc.
600 Bunker Court
Vernon Hills, IL 60061
(800) 542-7634
dated 12/14/95
M&L & Camadon/IKON
5570 model copier maintenance agreement

18. Copier Service Agreement
Camadon, Inc.
600 Bunker Court
Vernon Hills, IL 60061
(800) 542-7634
M&L & Camadon/IKON
6750 model copier maintenance agreement

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CHICAGO

19. Rental Agreement
Sparkling Spring Mineral Water Co.
1629 Park Avenue West
Highland Park, IL 60035
(708) 831-3442
dated 4/21/93
M&L & Sparkling Spring Mineral Water Co.
2 water cooler rentals
20. Monthly Commitment and Term Agreement
LCI International Telecom Corp.
4650 Lakehurst Court
Dublin, OH 43016
dated 8/16/95
M&L & LCI International
long distance carrier agreement
21. UPS Incentive Program
United Parcel Service
1400 S. Jefferson Street
Chicago, IL 60607
(800) 782-7892
dated 6/08/98
M&L & United Parcel Service
shipping carrier service contract for better rates
22. Chicago Lease
Everbury Partners, Ltd. L.P.
c/o Urban Estates, Inc.
1777 N. Clybourn Avenue
Chicago, IL 60614
dated 4/01/97
M&L & Everbury Partners, Ltd. Limited
Chicago Office space lease
23. License Agreement
Healthtex Apparel Corp.
200 Weldin Building, Concord Plaza
3411 Silverside Road
Wilmington, DE 19810
(302) 477-3930
dated 11/01/97
M&L & Healthtex Apparel Corp.
Healthtex License Agreement

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CHICAGO

24. License Agreement
Eclipse, Incorporated
110 E. 9th Street, Suite C-1259
Los Angeles, CA 90079
dated 7/13/97
M&L & Eclipse
Eclipse License Agreement
25. Hong Kong Lease
Ravelin Limited
13 Miles, Castel Peak Rd.
Sham Tseng
New Territories, Hong Kong
dated 1/12/96
M&L & Ravelin Limited
Hong Kong office lease
26. Bangladesh Verbal Lease
Abdur Rahman
#4 Naoratan Colony, Bailey Rd.

Dhaka 2, Bangladesh
880 2 416687
M&L & Abdur Rahman
Bangladesh office lease

27. Sri Lanka Lease
Maree Ruanee Gunasekera
#13/2 Elibank Rd.
Colombo 5, Sri Lanka
dated 07/15/97
M&L & Maree Ruanee Gunasekera
Sri Lanka office lease
28. Moore Forms Handling Equipment Maintenance Service Agreement
Moore Document Automation Systems
P.O. Box 951030
Dallas, TX 75395-1030
dated 2/20/99
M&L & Moore Document Automation Systems
invoice detacher maintenance

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HONG KONG

1. Air Conditioner Preventive Maintenance Service Agreement
Quiet & Cool Engineering Company Ltd.
Flat 2E, Fu Cheung Centre
5-7 Wong Chuk Yeung Street
Fotan, Shatin, Hong Kong
dated 1/05/98
M&L & Quiet & Cool Engineering Co. Ltd.
Air Conditioning Maintenance
2. Messengerial Services Contract
Alliance Express Service Co.
Room 5-6, 3/F, Block A
Wing Kut Industrial bldg.
608 Castle Peak Rd, Kin.
Hong Kong
dated 1/10/97
M&L & Alliance Express Service So.
Messenger Services
3. Lectra Systems Services Agreement
Lectra Systems (HK) Limited
Units 1112-1113, 11/F New East Ocean Centre
No. 9 Science Museum Road
Tsinshatsui East
Kowloon, Hong Kong
dated 1/01/98
M&L & Lectra Systems Services Agreement
Lectra Design Equipment Maintenance
4. Office Automation Equipment Maintenance Certificate
Shun Hing Electric Service Centre Ltd.
18/F, Shun Hing Centre
8 Shing Ylu Street
Kwai Chung, N.T.
Hong Kong
dated 4/22/98
M&L & Shun Hing Electric Service Centre Ltd.
Fax Machine Maintenance
5. Tradelink Registration and Subscriber Form
Tradelink Electronic Document Services, Ltd.
Suite 89, 5/F, Hong Kong Trade & Exhibition Centre
1 Trademart Drive, Kowloon Bay, Hong Kong
dated 02/11/98
M&L & Valunet Standard
Import & Export Declaration Services

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HONG KONG

6. Personal Computer Maintenance Agreement
Asia Pacific Systems Ltd.
Unit 13, 8/F, Hing Wah Centre
82-84 to Daw Wan Road,
Kowloon

SCHEDULE 2.1 (A) (I)
EQUIPMENT

The following is a list of equipment purchased after 12/1/94.
All equipment purchased prior to that date will also be transferred as part of
this transaction

<TABLE>
<CAPTION>

Description	In Service Date	Cost
<S>	<C>	<C>
3 Drawer Vert File	1-5-95	268.00
5 Ft Bookcase Black	2-1-95	256.00
2 4Dr Letter Files	4-1-95	268.00
4 Designer Stack Chairs	5-1-95	213.80
2 Drawer Legal File	6-1-95	237.04
Refrigerator for lunch R	8-1-95	433.00
Two Work Station Chairs	9-1-95	444.18
Phillocraft 60"x96"	10-1-95	421.36
Lighting From Sup LGT	11-30-95	105.32
Floor Cushions	9-1-95	164.77
Chair for office Act MGR	10-1-95	210.37
Univ 1110-247SC-TC	10-1-95	274.44
Lighting Fixture	1-1-95	117.00
Table Lamp	2-1-95	228.00
Folding Table	4-1-95	107.50
Paneling for Progm Area	10-1-95	626.10
Work Chair & Stool	11-30-95	691.65
Univ 1110-247SC-TC	10-1-95	225.29
Multitask Chairs	1-1-96	365.92
Lighting	4-1-96	117.90
Multitask Chair	6-1-96	169.05
Office Panels	11-1-96	131.05
AIRM Kit for Chairs	6-1-96	165.63
Multitask Chairs	6-1-96	1,564.04
Color Printer	12-1-94	7,143.40
SLT Cards & Install	12-1-94	862.29
486 PC with Accessories	12-1-94	3,069.00
Chameleon NFS	1-1-95	1,224.25
Cambex Disk Drive	12-1-94	20,451.75
HP laser printer compusa	1-1-95	1,568.41
486 PC Zeos	1-1-95	2,435.00
Design PC-Zeos	12-1-94	1,985.00
PC Computer	3-1-95	1,828.88
PC Computer	3-1-95	1,224.25

</TABLE>

SCHEDULE 2.1 (A) (I)
EQUIPMENT

<TABLE>
<CAPTION>

Description	In Service Date	Cost
<S>	<C>	<C>
Chameleon Software	4-1-95	618.63
Notebook	5-1-95	326.58
BTN Hole Machine	10-1-95	800.00
6 Chairs Sewg Room	10-1-95	150.00
Eyelet Machine	10-1-95	100.00
Print Unit W/3 WS Cards	1-1-95	9,597.50
Novell Software Upgrade	2-1-95	1,711.91
HP Desk Jet Printer	4-1-95	1,030.68
486 PC	5-1-95	1,835.00
Lectra Machine	6-1-95	40,531.69
Power Converter-Electra	7-1-95	2,022.00
Conner Python Int 2-4GB	8-1-95	909.50
Chameleon Software	9-1-95	619.44
Juki MO3704 (Sewg Rm)	10-1-95	2,324.63

Memory Chips for Netw	12-1-95	1,109.25
PC Computer	3-1-95	3,424.30
Chameleon Software	4-1-95	618.64
Fax Machine	6-1-95	322.17
Motherboard	7-1-95	377.84
Zeos Computer	9-1-95	2,474.00
Juki LH -3128-S	10-1-95	2,754.19
PC Computer	3-1-95	5,655.00
2-486 Pers Computers	4-1-95	3,770.00
Modem	3-1-95	993.23
USRO Courier Modem	4-1-95	910.29
3-486 PC Computers	5-1-95	5,505.00
IBM RS/6000 Series	6-1-95	1,361.00
Chameleon Software	7-1-95	619.44
Laptop Computer	8-1-95	2,762.95
Amerinet Purchases	9-1-95	1,117.29
Juki DDL-DDDON -7-WS	10-1-95	2,862.94
PC For Walmart	12-31-95	3,683.59
PC Computer	3-1-95	630.63
Chameleon Software 3	4-1-95	1,590.81
Wolf & Heap Forms	10-1-95	350.00
PC Computer	3-1-95	2,884.68
1-486 Pers Computers	4-1-95	1,835.00
Memory	2-1-96	1,317.00

</TABLE>

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SCHEDULE 2.1 (A) (I)
EQUIPMENT

<TABLE>
<CAPTION>

Description	In Service Date	Cost
<S>	<C>	<C>
Computdyne P75 w/moni	3-31-96	1,300.91
Conn 2GB SCS &Delphi	4-1-96	1,122.97
Monitor	5-1-96	653.26
8 Port Adapter & Interfae	7-1-96	686.25
17" Monitor	8-1-96	926.60
Main Printer	9-1-96	6,888.23
Actg/AP Software	10-1-96	8,544.86
Software Costs Install	12-1-96	1,841.07
Detacher	1-1-96	727.00
Memory	2-1-96	727.20
Micro Computer ATO M	3-31-96	1,799.00
Nove Anyxopt	4-1-96	1,616.67
HP Lasetjet 5M	5-1-96	1,942.17
Shipping Machine	8-1-96	3,258.15
Micron Computer	11-1-96	4,836.00
Primavision Wkstation	12-1-96	19,500.00
Netmanage Software	2-1-96	1,225.06
Memory -Amex	1-1-96	2,221.59
Memory	2-1-96	552.93
Union Special 52800-BE	3-31-96	1,760.00
WD 2.5 Harddrive & HP	4-1-96	1,481.04
Memory	5-1-96	1,165.00
Micron Computer	7-1-96	6,294.00
HP Laserjet 5m	8-1-96	1,960.59
Millennia Computer	9-1-96	2,498.00
Micron Comp	11-1-96	2,448.00
Primavision CLC Driver	12-1-96	4,000.00
Chameleon Software	1-1-96	619.44
Micron Computer ATO	2-1-96	3,736.00
ADAPPEC Kit &Seagate	4-1-96	908.35
Dell Network Comp	11-1-96	10,560.77
Deskpro 4000	12-1-96	2,043.41
Pro/5 Data Server	4-1-96	638.50
PC Computer-Mocron	1-1-96	2,468.00
Novell Software	1/1/97	2,249.58
Novell Software	1/1/97	1,035.61
Computer (Mr G)	1/1/97	4,054.23
Computer	1/1/97	5,003.52

</TABLE>

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SCHEDULE 2.1 (A) (1)
EQUIPMENT

<TABLE>
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Description	In Service Date	Cost
<S>	<C>	<C>
Computer	1/1/97	3,078.84
Primavision software	1/1/97	2,400.00
Nova computer	2/1/97	2,753.55
CADD Engr Supply	2/1/97	843.00
WACOM Tech	2/1/97	179.97
CDW enet cards	1/8/97	659.99
CDW Serial port adapter	3/1/97	1,521.04
Basis Computer	3/1/97	5,471.50
Nova Pentium Pro	3/1/97	2,437.09
Basis International	3/1/97	1,250.00
Computer Equipment	4/1/97	3,277.81
Nova PC	6/1/97	1,336.54
IBM TP 560E 5/150	6/1/97	2,799.40
delete above	7/1/98	2,799.40
IBM TP 560E 5/166	7/1/97	4,600.13
2 PC for office	7/1/97	10,326.60
HP deskjet printer	7/1/97	269.00
HP Jetdirect printer	8/1/97	333.87
Minolta PC	9/1/97	328.77
Int P60/180	9/1/97	271.27
HP Officejet 500	9/1/97	542.47
Epsa LQ 570+	9/1/97	277.76
Printer Buffer	10/01/97	416.95
NT Software	10/01/97	958.95
Software upgrade AIX	10/01/97	2,871.58
Laptop for Suren	11/01/97	4,174.96
Modem	11/01/97	542.49
HP Laserjet printer	12/01/97	424.10
RS6000	12-1-97	40,862.32
Printer	12/01/97	8,059.32
Disk Drive	12/01/97	296.70
Monitor	12/01/97	490.80
Software (Eudora & L Smtst)	12/01/97	1,332.57
Computer Hardware	12/01/97	5,533.38
Monitor	01/01/98	489.72
Task Chair	01/01/98	268.33
Phone	02/01/98	641.79
5 PCs	02/01/98	4,463.58

</TABLE>

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SCHEDULE 2.1 (A) (I)
EQUIPMENT

<TABLE>
<CAPTION>

Description	In Service Date	Cost
<S>	<C>	<C>
Monitor & sound card	02/01/98	606.65
Aspen Computer	02/01/98	9,045.76
AJ telephone system	02/01/98	4,437.00
Surge Protectors	05/01/98	268.58
Compusa	05/01/98	385.10
Monitors	05/01/98	364.18
PC	09/01/98	1,160.22
MS Office (sftwr)	09/01/98	361.46
PC	09/01/98	3,096.17
PC	03/01/98	3,650.47
Software	03/01/98	497.93
PC	10/27/98	970.55
Fusinon 3.0 software	11/30/98	295.33
hardware	11/30/98	608.12
Computer (3)	11/30/98	3,048.61
Computer	11/30/98	1,233.32
Phone system upgrade	11/30/98	6,719.81

		427,134.40
Ford Windstar	2-1-97	21,724.31
Monitor	7-1-96	433.97
Showroom Chairs	01/01/98	1,926.25

Monitor	11/01/98	291.17

		2,651.39
Air Conditioners	8-1-95	8,625.00
Computer Software	8-1-95	1,750.00
Computer Network & Accs	8-1-95	24,825.00
Telephone Connections	8-1-95	1,000.00
Fax Machine	8-1-95	1,500.00
Office Furniture	8-1-95	500.00
Computer	7-1-96	4,800.00
Computer Table	7-1-96	575.00
Chairs	7-1-96	770.00

</TABLE>

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SCHEDULE 2.1 (A) (I)
EQUIPMENT

<TABLE>
<CAPTION>

Description	In Service Date	Cost
<S>	<C>	<C>
Marker Table	7-1-96	360.00
Printer	7-1-96	2,045.00
Table	7-1-96	360.00
Curtains	7-1-96	1,495.00
Copier	3/1/97	5,475.00
Generator	3/1/97	5,250.00
PC wiring	3/1/97	2,000.00
Scanner	3/1/97	950.00
Air conditioners	10/01/97	5,000.00
Copiers	10/01/97	4,750.00
IBM PC	10/01/97	2,250.00
Furniture	10/01/97	1,500.00
FAX	10/01/97	1,150.00
PC	10/01/98	1,200.00

		78,130.00
Van	3-1-97	15,000.00
RF Base Station	3-1-95	9,239.28
Computer	3/1/97	7,883.40
Power system for Computer	3/1/97	2,162.92
2 PCs for office	3/1/97	2,901.39
Computer Equipment	4/1/97	561.73
Datamax used prodigy prtr	7/1/97	1,362.72
Tables w/ lighting	5/1/97	2,460.85
Time Clock	04/01/98	1,009.98
Printer	09/01/98	1,641.27

		29,223.54
Fortress UPS	9-1-95	881.28
Lift Truck	9-1-95	17,122.25
Washer & Dryer	10/01/97	1,042.54
Bike	04/01/98	1,058.85

		20,104.92

</TABLE>

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SCHEDULE 2.1 (A) (I)
EQUIPMENT

<TABLE>
<CAPTION>

Description	In Service Date	Cost
<S>	<C>	<C>
Install New Pump	1-1-96	5,135.75
Sprinklers in Washroom	7-1-96	257.52

Fixture & Outlets	10-1-96	2,359.85
Overhead doors	5/1/97	4,897.86

		12,650.98
Leasehold Impv NY Starter w/o Starter	08/31/98	56,218.28
		46,848.57

		9,369.71
Generator for Office	6-1-96	4,400.00
Air Conditioner	03/01/98	2,600.00

		7,000.00
Susuki Motorcycle	7-1-96	2,945.00
Susuki Motorcycle	03/01/98	2,625.00

		5,570.00
		619,189.54

</TABLE>

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SCHEDULE 2.1(A) (II)
LEASED REAL PROPERTY

SHOWROOM
100 WEST 33RD ST
NEW YORK CITY, NY 10001

OFFICE SPACE
1333 N KINGSBURY
CHICAGO, IL 60622

RETAIL SPACE
222 MERCH MART PLAZA
CHICAGO, IL 60654

OFFICE
9-11 SHING WAG ROAD
HONG KONG

OFFICE
36 & 36.6 PAMANKADA RD
KIRILLAPON, WLLAWATTE, SRI LANKA

OFFICE
DKAKA, BANGLADESH

OFFICE
CHITTAGONG, BANGLADESH

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SCHEDULE 2.1(A) (III)
INVENTORY AS OF 12/31/98

<TABLE>
<CAPTION>

	TOTAL
<S>	<C>
FINISHED GOOD/PHYSICAL COUNT	\$ 5,095,865.00
INTRANSIT INVENTORY	536,491.00
INVENTORY AT STORE OUTLET	25,724.82
PIECE GOODS AT OTHER MAKERS	347,472.94

TOTAL BOOK INVENTORY	6,005,553.76
LESS ESTIMATED BOOK RESERVES FOR	

NET INVENTORY

\$ 4,814,779.76

=====

</TABLE>

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SCHEDULE 2.1(A) (V)
TRADEMARKS, TRADENAMES, PATENTS, LOGOS

<TABLE>

<CAPTION>

OWNED TRADEMARKS	REGISTRATION NO.
-----	-----
<S>	<C>
Good Friends **	1,294,492
Good Friends Design **	1,475,080
Hi Dives **	1,514,693
Winning Team	1,773,699
Windy Trail	1,836,878
Wonderralls **	1,013,839
Cyberfleece	2,088,371
Cyber Berber	Applied For
Weather Tamer	730,123
Weather Tamer	1,561,092
Collie Warm as a Collie's Fur **	1,561,093
Weather Tamer	1,577,883
Collie Design **	1,582,648
The Kids Andy Johns	2,045,161

<CAPTION>

MACKINTOSH TRADEMARKS	REGISTRATION NO.
-----	-----
<S>	<C>
KAOS	1,197,990
KAOS	1,419,300
Andy Johns	1,562,284
Andy Johns	1,060,825

** These trademarks are not currently being used.

<CAPTION>

TRADEMARKS UNDER LICENSE	REGISTRATION NO.
-----	-----
<S>	<C>
Healthtex	1,807,653

</TABLE>

79

<TABLE>

<S>	<C>
Girls Club by Healthtex	Applied For

Little Impressions	Applied For
Starter	Not disclosed in License
"S and Star"	Not disclosed in License
"Starter in conjunction with S and Star"	Not disclosed
Eclipse	Unregistered

COPYRIGHTS

The company occasionally applies for copyright registration of artwork used in connection with its products, however, none is considered to be material to the operation of M&L.

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SCHEDULE 2.1 (A) (IX)
PREPAID EXPENSES

<TABLE>

<CAPTION>

	As of 12/31/98	Projected (1) 2/28/99	
<S>	<C>	<C>	
M & L International - US			
Advances to Suppliers			
Rudra	4,460	4,460	To be paid off w/ fall deliveries
Remerco	6,000	0	Paid in Jan
	-----	-----	
US Advances	1,540	4,460	
	-----	-----	
Prepaid Expenses			
Insurance	21,740	0	Not to be carried forward to Amerex
Postage	4,494	4,000	Estimate
Starter	20,833		Depends on payment and new contract terms
Trade Show	4,000	0	Trade show in Feb
Sri Lanka Rent	6,000	4,000	
Bangladesh Rent	0	0	
Prepaid Freight	2,877	0	
Other Prepaids	7,327	0	To be amortized before Feb 28th
Due from Empl	257	0	
Electra Svc contract HK	0	5,857	
	-----	-----	
US Prepaids	67,528	13,857	
	-----	-----	
Total US Prepaids & Advances	65,988	18,317	
	-----	-----	
Prepaid Hong Kong Expenses			
Rental deposit	42,806	42,806	
Electrical deposit	3,782	3,782	
Courier Services	103	103	
Trade Departments	641	641	
Water Bottling deposit	288	288	
Employee Adv	652	0	
Maintenance contracts	1,123	201	
Lectra computer ins	345	172	
Insurance	1,104	1,389	
Nominee fees	748	748	
	-----	-----	
Total Hong Kong Prepaids	51,592	50,130	
	-----	-----	
Liabilities Hong Kong			
			(1) Actual numbers at Closing Date may vary from projections.
Accounts Payable	31,483	31,483	
Provisions for Severance	23,206	112,984	

</TABLE>

<TABLE>		
<S>	<C>	<C>
Audit Fees	2,949	3,440
	-----	-----
Total Hong Kong Liabilities	57,637	147,907
	-----	-----
Net Hong Kong	6,045	97,777
	-----	-----
Total US and Hong Kong	59,943	79,459
	=====	=====

</TABLE>

SCHEDULE 2.1 (A) (XVI)
M&L INTERNATIONAL (H.K.) LTD. ACCOUNTS RECEIVABLE

<TABLE>		
<CAPTION>		
	BALANCE 12/31/98	PROJECTED 2/28/99
	-----	-----
<S>	<C>	<C>
Total Receivables	\$19,214.50	None

</TABLE>

SCHEDULE 2.1 (B) (III)
EXCLUDED CONTRACTS

SCHEDULE 2.2
ASSUMED LIABILITIES

See Schedule 2.1(a) (ix) under the heading Hong Kong Liabilities

<TABLE>		
<S>	<C>	<C>
1) Illinois Incorporated Prentice Hall Legal and Financial Services 33 North LaSalle St. Chicago, IL 60602	Charter # 5784-689-5 Registration date	7-Jun-94
2) California Qualification Prentice Hall Legal and Financial Services 6430 Sunset Blvd., Suite 1117 Los Angeles, CA 90028	Charter # 1914238 Registration date	6-Oct-94
3) Georgia Qualification Prentice Hall Legal and Financial Services 100 Peachtree St. Atlanta, GA 30303	Charter # 9419063 Registration date	1-Aug-94
4) New York Qualification Prentice Hall Legal and Financial Services 80 State St. Albany, NY 12207	Charter # Registration date	11-Oct-94
5) Washington Qualification Prentice Hall Legal and Financial Services 1010 Union Ave. SE Olympia, WA 98501	Charter # 601562673 Registration date	12-Oct-94

6) Wisconsin
Qualification
CSC
25 W. Main St.
Madison, WI 53703

Charter # M047820
Registration date
Termination date

17-Jun-97
25-Sep-98

</TABLE>

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SCHEDULE 5.5
CONSENTS AND WAIVERS REQUIRED FOR TRANSACTION

15. CONSENT OF BANK IS REQUIRED PURSUANT TO CREDIT AGREEMENT
16. APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS IS REQUIRED.
17. THE CHICAGO OFFICE LEASE CAN BE ASSIGNED TO ANY ENTITY WHICH IS A SUCCESSOR TO ALL OR A SUBSTANTIAL PORTION OF M&L'S BUSINESS.
18. THE NEW YORK SHOWROOM LEASE MAY BE ASSIGNED TO A CORPORATION TO WHICH SUBSTANTIALLY ALL OF THE TENANT'S ASSETS ARE TRANSFERRED PROVIDED THAT:
- a. The transfer is for a good business purpose and not a device for the transfer of the tenant's interest in the lease; and
 - b. The assignee has a net worth of at least \$593,481.
19. THE HEALTHTEX LICENSE PROHIBITS ASSIGNMENT.
20. THE FOLLOWING CONTRACTS REQUIRE WRITTEN CONSENT:
- a) West Star Business Systems -- Copy Kit "plus" Agreement
 - b) Wells Fargo Alarm Service -- Security service
 - c) Cannon Financial Services -- Color printer lease
 - d) LCI International Telecom Corp -- Long distance phone service
 - e) React Computer Services -- Computer printer & terminal maintenance
 - f) Moore Document Information System -- Detacher maintenance
 - g) Starter Corporation -- License
 - h) Asia Pacific Systems Limited (HK) -- Computer Maintenance
 - i) Dun & Bradstreet -- Credit Report Service

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21. THE FOLLOWING CONTRACTS ARE NOT ASSIGNABLE
- a) IBM Credit Corp. -- Computer Lease/Purchase
 - b) Pitney Bowes -- Various facsimile rental agreements and mailing equipment rentals and service.
 - c) Quiet & Cool Engineering Company Ltd. (HK) -- Air conditioning maintenance

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SECTION 5.6 COMPLIANCE WITH LAW

- (a) None
- (b) None

SCHEDULE 5.7 LITIGATION

None

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SCHEDULE 5.9
EMPLOYEE BENEFIT PLANS

<TABLE>

<S>

HEALTH INSURANCE Chicago & NY
American Unified Life and Health Insurance
Group # PPO-9860
HMO-IL11980

Attention - Claim Dept.
4601 Saulk Trail Rd.
Richton Park, IL 60471

<C>

HEALTH and DENTAL INSURANCE AUBURN
Regence Blue Sheild
MS 610
P.O. Box 21267
Seattle, WA 98111-3267

Group # 028871

Phoenix Disability Insurance
ACCOUNT #'S
SHORT TERM DISABILITY
054-9024-00

LONG TERM DISABILITY
054-9019-00

mail enrollments to:

Group Billing
Phoenix Home Life
100 Bright Meadow Blvd.
P.O. Box 1900
Enfield, CT 06083-1900

Phone: 1-800-451-2513
Fax: 860-403-6980

Lafayette Life Insurance
POLICY # G002530
</TABLE>

PUT TODAY'S DATE IN THE TOP RIGHT CORNER OF FORM AND FAX TO:

GROUP DEPT.
LAFAYETTE LIFE INS. CO.
FAX #: 765-477-3369

COVERAGE AMOUNTS ARE:

<TABLE>

<CAPTION>

LIFE	AD&D
<S>	<C>
25000	25000

<CAPTION>

OVER AGE 70 COVERAGE IS 1/2	
LIFE	AD&D
<S>	<C>
12500	12500

</TABLE>

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<TABLE>

<S>

DENTAL INSURANCE Chicago
1st Commonwealth
Dental HMO
Plan 3000D
Group Name is M&L International

<C>

Enrollments to:
First Commonwealth
444 North Wells, Suite 600
Chicago, IL 60610
Attn: Processing Dept.
Fax: (312) 644-1822

401K Plan
Principal Financial Group
Contract # (3)77345
Location # 2

The Principal Financial Group
710 9th St.
Des Moines, IA 50309-1502

SCHEDULE 5.10

CONTRACTS

NEW YORK

1) Ti-Tone Communications, Inc. Service Agreement
Ti-Tone Communications, Inc.
386 Broadway, 2nd floor
New York, NY 10013
(212) 431-7765
dated 5/04/98 thru 5/03/99
M&L & Ti-Tone Communications, Inc.
facsimile service

2) Tele Dynamics Service Contract
Tele Dynamic
330 Seventh Avenue
New York, NY 10001
(212) 594-7333
dated 7/01/98 thru 6/30/99
M&L & Tele Dynamics
telephone system

3) NY Lease
SZS 33 Associates L.P.
c/o M.S. Management Associates, Inc.
One Merchant Plaza
P.O. Box 7033
Indianapolis, IN 46207
dated 7/01/93
M&L & SZC 33 Associates L.P.
NY Office space lease

AUBURN

1) Advanced Filter & Mechanical Inc.
Advanced Filter & Mechanical Inc.
516 Valley Avenue Northeast
Puyallup, WA 98372-2503
(253) 770-2443
dated 2/17/98
M&L & Advanced Filter and Mechanical, Inc.
heating and air conditioning service and check

2) Rider to Alarm Service Agreement
Security Link from Ameritech
3003 16th Avenue West
Seattle, WA 98119
(206) 443-9620
dated 10/15/97
M&L & Security Link from Ameritech
change in alarm system

3) Addendum Rider to Alarm Service Agreement
Security link from Ameritech
3003 16th Avenue West
Seattle, WA 98119
(206) 443-9620
Security link from Ameritech
dated 11/10/97
M&L & SecurityLink from Ameritech
addition to alarm system

4) Copy Kit "plus" Agreement
West Star Business Systems, Inc.
P.O. Box 58043
Seattle, WA 98138-1043
(206) 575-9710
dated 2/25/99 thru 2/25/00
M&L & West Star Business Systems, Inc.
service and parts for copy machine

5) Equipment Maintenance
Pitney Bowes
501 N Riverpoint Blvd. Suite 200
Spokane, WA 99202-1664

(800) 522-0020
dated 10/01/98
M&L & Pitney Bowes
mail machine maintenance

6) Postage Meter Rental
Pitney Bowes
501 N. Riverpoint Blvd., Suite 200
Spokane, WA 99202-1664
(800) 243-7800
dated 11/16/98
M&L & Pitney Bowes
postage meter rental

7) Facsimile Rental
Pitney Bowes
501 N. Riverpoint Blvd., Suite 200
Spokane, WA 99202-1664
(800) 322-8000
dated 1/01/99
M&L & Pitney Bowes
Fax machine rental

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8) Exclusive Listing Agreement Sublease Contract
Cushman & Wakefield of Washington, Inc.
Pacific Northwest Area
700 Fifth Ave., Suite 2700
Seattle, WA 98104-5027
dated 11/01/98 thru 4/30/99
M&L & Cushman & Wakefield of Washington, Inc.
Real Estate listing agreement

9) Lease
HRP Properties 6
P.O. Box 700
Mercer Island, WA 98040
dated 7/23/91
M&L & HRP Properties 6
Auburn Warehouse Lease

CHICAGO

1) Amerinet Maintenance Agreement with M & L
Amerinet
324 E. Roosevelt Rd. Suite 201
Wheaton, IL 60187
(708) 653-8699
dated 6/08/92
M&L & Amerinet
service and parts for computers

2) Allcom Equipment Maintenance Agreement
Allcom Inc.
5621 W. Howard St.
Niles, IL 60714
dated 4/01/93
M&L & Allcom Inc.
labor only on phone system/ full main. on voice mail

3) Cannon Financial Services Lease
Cannon Financial Service, Inc.
200 Commerce Square Blvd.
P.O. Box 370
Burlington, NJ 08016
(800) 220-0200
dated 12/04/96 for 48 months
M&L & Cannon Financial Services
color copy machine lease

4) Maintenance Agreement Service Division
Cannon Financial Service, Inc
200 Commerce Square Blvd.
P.O. Box 370
Burlington, NJ 08016
(800) 220-0200
M&L & Ambassador Office Equipment
color copy maintenance and supplies

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5) Addendum to Maintenance Agreement
React Computer Service, Inc.
15W 700 Frontage Rd.
Hinsdale, IL 60521-5543
(708) 323-6200
dated 1/08/98
M&L & React Computer Services, Inc.
printer service

6) Central Station Protective Signaling Service Renewal
Wells Fargo Alarm Service, Inc.
230 W. Division St.
Chicago, IL 60610
(312) 337-3100
dated 9/25/97
M&L & Wells Fargo
security alarm system service

7) Service Purchase Agreement
Peak Technologies
9200 Berger Rd.
Columbia, MD 21046-1602
(410) 312-6000
dated 11/09/98 and 12/30/97
M&L & Peak Technologies
service on dot matrix printers (one for each printer)

8) Credit Recommendation Contract
Crex of New York, Inc. d/b/a Credit International
P.O. Box 5426
Flushing, NY 11354
(718) 539-8085
dated 3/01/98
M&L & CREX of New York, Inc. d/b/a Credit International
credit checks

9) Credit Recommendation Contract
Dun & Bradstreet
P.O. Box 92542
Chicago, IL 60675-2542
(800) 284-4953
dated 3/9/98
M&L & Dun & Bradstreet
credit checks

10) Facsimile Rental Agreement
Pitney Bowes
P.O. Box 85390
Louisville, KY 40285-5390
dated 9/23/97 for 36 month minimum
M&L & Pitney Bowes facsimile rental and maintenance agreement front desk

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<TABLE>
<S> <C>
11) Facsimile Equipment Maintenance
Pitney Bowes
P.O. Box 85390
Louisville, KY 40285-5390
dated 01/01/99 renewal
M&L Pitney Bowes
back fax machine maintenance
no actual signed contract, maintenance is billed annually
if invoice not paid, maintenance is discontinued and billed
per service call instead.

12) Equipment Maintenance
Pitney Bowes
P.O. Box 85390
Louisville, KY 40285-5390
M&L & Pitney Bowes
mailing machine maintenance
</TABLE>

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13) QuickLease Agreement
IBM Credit Corp.
1605 LBJ Freeway
Dallas, TX 75234
(972) 280-4750
dated 2/23/98
M&L & IBM Credit Corp.

RS6000 computer and maintenance

14) Connector Account Schedule Charges

MSCNET
Two Prudential Plaza, Suite 2625
Chicago, IL 60601
(312) 803-6271
dated 01/21/98
M&L & MCSNet
Internet Access

15) Annual Typewriter Maintenance Renewal

United Business Machines
875 E. Rand Rd.
Desplaines, IL 60016
(847) 299-3000
dated 3/12/98
M&L & United Business Machines
typewriter maintenance

16) Preventive Maintenance Agreement

Shavitz and Sons, Inc.
8245 N. Kimball Ave.
Skokie, IL 60076
(708) 674-8252
M&L & Shavitz and Sons, Inc.
heating and air conditioning maintenance

17) Copier Service Agreement

Camadon, Inc.
600 Bunker Court
Vernon Hills, IL 60061
(800) 542-7634
dated 12/14/95
M&L & Camadon/IKON
5570 model copier maintenance agreement

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18) Copier Service Agreement

Camadon, Inc.
600 Bunker Court
Vernon Hills, IL 60061
(800) 542-7634
M&L & Camadon/IKON
6750 model copier maintenance agreement

19) Rental Agreement

Sparkling Spring Mineral Water Co.
1629 Park Ave. West
Highland Park, IL 60035
(708) 831-3442
dated 4/21/93
M&L & Sparkling Spring Mineral Water Co.
2 water cooler rentals

20) Monthly Commitment and Term Agreement

LCI International Telecom Corp.
4650 Lakehurst Court.
Dublin, OH 43016
dated 8/16/95
M&L & LCI International
long distance carrier agreement

21) UPS Incentive Program

United Parcel Service
1400 S. Jefferson St.
Chicago, IL 60607
(800) 782-7892
dated 6/08/98
M&L & United Parcel Service
shipping carrier service contract for better rates

22) Chicago Lease

Everbury Partners, Ltd. L.P.
% Urban Estates, Inc.
1777 N. Clybourn Ave.
Chicago, IL 60614
dated 4/01/97
M&L & Everbury Partners, Ltd. Limited
Chicago Office space lease

23) License Agreement
Healthtex Apparel Corp.
200 Weldin Building, Concord Plaza
3411 Silverside Road
Wilmington, DE 19810
(302) 477-3930
dated 11/01/97
M&L & Healthtex Apparel Corp.
Healthtex License Agreement

24) License Agreement
Eclipse, Incorporated
110 E. 9th Street, Suite C-1259
Los Angeles, CA 90079
dated 7/13/87
M&L & Eclipse
Eclipse License Agreement

25) Oral Contract
J-Belt Sales
694 The Apparel Center
Chicago, IL 60654
M&L & J-Belt Sales
Sales Rep

26) Oral Contract
Liz Clark
451 E. 58th Ave.
Box 315, Suite 4167
Denver, CO 80216
M&L & Liz Clark
Sales Rep

27) Oral Contract
Alan Mallman
1356 Neshaminy Valley Dr.
Ben Salem, PA 19020
M&L & Alan Mallman
Sales Rep

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28) Oral Contract
Jerry Bassett
1300 Nicollet Mall
Suite 4035
Minneapolis, MN 55403
(612) 333-7166
M&L & Jerry Bassett
Sales Rep - Healthtex

29) Oral Contract
Mike Benson
215 Homeland St.
Fairfield, Ct 06432
(203) 331-1830
M&L & Mike Benson
Sales Rep - Healthtex

30) Oral Contract
Michael Branch
2300 Stemmons Freeway
Suite 3829
Dallas, TX 75207
(214) 637-1322
M&L & Michael Branch
Sales Rep - Healthtex

31) Oral Contract
Walt Bringman
1502 E. Schantz
Dayton, OH 45419
(513) 298-3725
M&L & Walt Bringman
Sales Rep - Healthtex

32) Oral Contract
Rusty Buckman
5033 Craig Ave
Kenner, LA 70065
(504) 456-9090

M&L & Rusty Buckman
Sales Rep - Healthtex

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33) Oral Contract
Glenda Doherty
3315 159th PL SE
Millcreek, WA 98012-8330
M&L & Glenda Doherty
Sales Rep - Healthtex

34) Oral Contract
Chuck Groomes
1644 Lochcrest
Chesterfield, MO 63017
(314) 537-9703
M&L & Chuck Groomes
Sales Rep - Healthtex

35) Oral Contract
James Haley
12735 Providence Rd.
Alpharetta, GA 30201
(770) 475-1013
M&L & James Haley
Sales Rep - Healthtex

36) Oral Contract
Priscilla Mathis
110 East 9th St
Suite B-684
Los Angeles, CA 90079
M&L & Priscilla Mathis
Sales Rep - Healthtex

37) Oral Contract
William Mcjunkin
1016 Gatewood Dr
Bethel Park, PA 15102
(412) 835-2078
M&L & William Mcjunkin
Sales Rep - Healthtex

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38) Oral Contract
Elwood Regan
P.O. Box 44844
Greensboro, NC 27404-4484
(910) 854-5522
M&L & Elwood Regan
Sales Rep - Healthtex

39) Oral Contract
Susan Roholt
2109 Wimbledon Circle
Franklin, TN 37069
(615) 794-0234
M&L & Susan Roholt
Sales Rep - Healthtex

40) Oral Contract
Jan Switzer
11846 Cedar Pass
Houston, TX 77077
(218) 493-0347
M&L & Jan Switzer
Sales Rep - Healthtex

41) Buying Agreement
Jun Jin
#804, 8F Keumpoong Bldg 326-2 Kunja-Dong
Seoul, Korea
9761-342738
dated 12/17/98
M&L & Jun Jin Corporation
buying agent agreement

42) Buying Agreement
Ronnie Shahar

6 Halotus St
Ramat-Effal, Israel 52960
972 353 43129
dated 8/02/95
M&L & Ronnie Shahar
buying agent agreement

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43) Buying Agreement
Savitex
Dogan Arasli Cad.Fatih Mah Yeni
Belediye Binasi Karsisi
Esenyurt, Istanbul
Turkey
02126205778
dated 3/12/98
M&L & Savitex International
buying agent agreement

44) Hong Kong Lease
Ravelin Limited
13 Miles, Castle Peak Rd.
Sham Tseng
New Territories, Hong Kong
dated 1/12/96
M&L & Ravelin Limited
Hong Kong office lease

45) Bangladesh Verbal Lease
Abdur Rahman
#4 Naoratan Colony, Bailey Rd.
Dhaka 2, Bangladesh
880 2 416687
M&L & Abdur Rahman
Bangladesh office lease

46) Sri Lanka Lease
Maree Ruane Gunasekera
13/2 Elibank Rd.
Colombo 5, Sri Lanka
dated 07/15/97
M&L & Maree Ruane Gunasekera
Sri Lanka office lease

47) License Agreement
Starter Corporation
370 James St.
New Haven, CT 06513
dated 6/30/97
M&L & Starter Corporation
Starter License Agreement

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48) Employment Contract
Kurt Gutfreund
33 E. Bellevue, Apt # 4E
Chicago, IL 60611
dated 11/30/1994
M&L & Kurt Gutfreund
Mr. Kurt Gutfreund's Employment Contract

49) Moore Forms Handling Equipment Maintenance Service Agreement
Moore Document Automation Systems
P.O. Box 951030
Dallas, TX 75395-1030
dated 2/20/99
M&L & Moore Document Automation Systems
invoice detacher maintenance

HONG KONG
1) Air Conditioner Preventive Maintenance Service Agreement
Quiet & Cool Engineering Company Ltd.
Flat 2E, Fu Cheung Centre
5-7 Wong Chuk Yeung Street
Fotan, Shatin, Hong Kong
dated 1/05/98
M&L & Quiet & Cool Engineering Co. Ltd.
Air Conditioning Maintenance

2) Messengerial Services Contract
Alliance Express Service Co.
Room 5-6, 3/F, Block A
Wing Kut Industrial bldg.
608 Castle Peak Rd, Kln.
Hong Kong
dated 1/10/97
M&L & Alliance Express Service So.
Messenger Services

3) Lectra Systems Services Agreement
Lectra Systems (HK) Limited
Units 1112-1113, 11/F New East Ocean Centre
No. 9 Science Museum Road
Tsinshatsui East
Kowloon, Hong Kong
dated 1/01/98
M&L & Lectra Systems Services Agreement
Lectra Design Equipment Maintenance

4) Office Automation Equipment Maintenance Certificate
Shun Hing Electric Service Centre Ltd.
18/F, Shun Hing Centre
8 Shing Yiu Street
Kwai Chung, N.T.
Hong Kong
dated 4/22/98
M&L & Shun Hing Electric Service Centre Ltd.

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Fax Machine Maintenance

5) Tradelink Registration and Subscriber Form
Tradelink Electronic Document Services, Ltd.
Suite 89, 5/F, Hong Kong Trade & Exhibition Centre
1 Trademart Drive, Kowloon Bay, Hong Kong
dated 02/11/98
M&L & Valunet Standard
Import & Export Declaration Services

6) Personal Computer Maintenance Agreement
Asia Pacific Systems Ltd.
Unit 13, 8/F, Hing Wah Centre
82-84 To Daw Wan Road,
Kowloon
dated 3/10/98
M&L & Asia Pacific Systems Ltd.
Computer Maintenance

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SCHEDULE 5.12

PURCHASE ORDERS

All Purchase Orders for Fall 1999 have been entered into in the ordinary course of business but are not consistent with past practice on the following two points:

- 1) Orders have been placed later than past practice.
- 2) Letters of credit have not been opened.

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SCHEDULE 5.13

PERMITS

1. City of Chicago -- License
2. State of Washington -- Registration and License
3. City of Auburn -- Business Registration

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SCHEDULED 5.14

LEASES

None

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SCHEDULE 5.15
ENVIRONMENTAL LAW VIOLATIONS

None

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SCHEDULE 5.16
INSURANCE POLICIES

M & L INTERNATIONAL, INC.

<TABLE>

<CAPTION>

COVERAGE DATES	INSURANCE COMPANY	POLICY #	DESC. OF COVERAGE	PREMIUM	COVERAGE
<S>	<C>	<C>	<C>	<C>	<C>
11/01/98-11/01/99	EMPLOYERS MUTUAL CASUALTY CO.	1A88S75	COMMERCIAL PROPERTY	28,000.00	170,123,440 BLANKET REAL & PERSONAL PROPERTY INCLUDING EDP (SUB-LIMITS APPLY-SEE POLICY FOR DETAILS) 107,810,000 BLANKET BUSINESS INTERRUPTION/RENTS 50% 50,000,000 EARTH MOVEMENT PER OCCURRENCE/AGGREGATE INCLUDING SPRINKLER LEAKAGE-EXCEPT CA. 5,000,000 EARTH MOVEMENT PER OCCURRENCE/AGGREGATE INCLUDING SPRINKLER LEAKAGE-CA 50,000,000 FLOOD PER OCCURRENCE/AGGREGATE-EXCEPT FLOOD ZONE A 1,000,000 FLOOD PER OCCURRENCE/AGGREGATE-FLOOD ZONE A DEDUCTIBLES 5,000 COMBINED PROPERTY DAMAGE AND TIME LIMIT EXCEPT 25,000 EARTH MOVEMENT COMBINED PROPERTY DAMAGE AND TIME ELEMENT. EXCEPT CA 25,000 FLOOD COMBINED PROPERTY DAMAGE AND TIME ELEMENT, EXCEPT FLOOD ZONE A 1,000 TRANSIT 5% CA EARTHQUAKE PER ITEM OF INSURANCE (100,000 MINIMUM) 1% WIND FOR 1* TIER COUNTIES (100,000 MINIMUM) FLOOD ZONE A DEDUCTIBLE SHALL BE AMOUNT AVAILABLE UNDER NATIONAL FLOOD PROGRAM WHETHER IN FORCE OR NOT
11/01/98-11/01/99	GREAT NORTHERN INSURANCE	35331938	FOREIGN LIABILITY	6,091.00	450,000 BLANKET PERSONAL PROPERTY ENGLAND (BISCAYNE) 500,000 BLANKET PERSONAL PROPERTY DOMINICAN REPUBLIC (BISCAYNE) 500,000 BLANKET BUSINESS INCOME 500,000 CONTINGENT BUSINESS INCOME IN CHINA 500,000 BLANKET PERSONAL PROPERTY ANY OTHER LOCATIONS DEDUCTIBLES

1,000 EXCEPT
 25,000 FLOOD & EARTHQUAKE
 24 HOURS WAITING PERIOD-BUSINESS
 INTERRUPTION
 INTERNATIONAL COMMERCIAL LIABILITY
 COVERAGE WITH PER OCCURRENCE/PER
 OFFENSE LIMITS
 1,000,000 BODILY INJURY & PROPERTY
 DAMAGE LIMIT (OTHER THAN

</TABLE>

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<S>	<C>	INSURANCE COMPANY	POLICY # <C>	DESC. OF COVERAGE <C>	PREMIUM <C>	<C>	COVERAGE
							PRODUCTS-COMPLETED OPERATIONS HAZARD EMPLOYMENT RELATED PRACTICES HAZARD & PROPERTY DAMAGE TO RENTED OR OCCUPIED PREMISES 1,000,000 PERSONAL INJURY & ADVERTISING INJURY LIMIT (OTHER THAN EMPLOYMENT RELATED PRACTICES HAZARD) 1,000,000 PROPERTY DAMAGE TO RENTED OR OCCUPIED PREMISES LIMIT COVERAGE OTHER THAN CLAIMS-MADE AGGREGATE LIMITS ONLY: 1,000,000 PRODUCTS-COMPLETED OPERATIONS HAZARD AGGREGATE LIMIT NOT COVERED EMPLOYMENT RELATED PRACTICES HAZARD 1,000,000 MEDICAL EXPENSE AGGREGATE LIMIT INTERNATIONAL AUTOMOBILE DIC/EXCESS LIABILITY 1,000,000 BODILY INJURY & PROPERTY DAMAGE LIMIT 10,000 AUTO MEDICAL PAYMENTS LIMIT-PER PERSON RETAINED LIMITS 20,000 THRESHOLD AMOUNT ON DEFENSE EXPENSE FOR PROPERTY DAMAGE STATE OF HIRE BENEFITS APPLICABLE 1,000,000 EMPLOYER'S LIABILITY 50,000 REPATRIATION EXPENSE POLICY LIMIT 50,000 REPATRIATION EXPENSE PER EMPLOYEE
11/01/98-11/01/99		FEDERAL INSURANCE CO. (CHUBB)	78339689	BOILER & MACHINERY	2,002.00		50,000,000 COMBINED LIMIT PER ACCIDENT (SUB LIMIT APPLY - SEE POLICY FOR DETAILS) DEDUCTIBLES 5.000 ALL ENTITIES 10,000 PRODUCTION MACHINES (ALL ENTITIES) TIME ELEMENT 24 HOURS WAITING PERIOD 48 HOURS WAITING PERIOD FOR PRODUCTION MACHINES
11/01/98-11/01/99		ZURICH INSURANCE CO.	BAP837469 301	BUSINESS AUTO COVERAGE	5,000.00		ALL AUTOS-INCLUDING HIRED AND NON-OWNED 1.000,000 COMBINED SINGLE LIMIT (SYMBOL 1) 1,000,000 UNINSURED/UNDERINSURED MOTORISTS MEDICAL PAYMENTS 5,000 PER PERSON DEDUCTIBLES 500 COMP/COLLISION-ALL EXCEPT TRACTORS 500 HIRED AUTO PHYSICAL DAMAGE 1,000 COMP/COLLISION-TRACTORS EXCESS OF UNDERLYING LIMITS
11/01/98-11/01/99		GREAT AMERICAN INS. CO.	TUU2534089	COMMERCIAL UMBRELLA	11,794.00		

</TABLE>

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<TABLE> <CAPTION> COVERAGE DATES	INSURANCE COMPANY	POLICY #	DESC. OF COVERAGE	PREMIUM	COVERAGE
<S>	<C>	<C>	<C>	<C>	<C>
	(TAMARACK INSURANCE CO.)				50,000,000 EACH OCCURRENCE 50,000,000 POLICY AGGREGATE LIMIT 50,000,000 PRODUCTS COMPLETED OPERATIONS AGGREGATE DEDUCTIBLES - NONE SIR-EACH OCCURRENCE
11/01/98-11/01/99	ZURICH INSURANCE CO.	WC8374188-02	WORKERS COMPENSATION	10,965.00	EMPLOYER'S LIABILITY 500,000 BI BY ACCIDENT-EACH ACCIDENT 500,000 BI BY DISEASE-EACH EMPLOYEE 500,000 BI BY DISEASE-POLICY LIMIT 100,000 REPATRIATION AND ENDEMIC DISEASE
11/01/98-11/01/99	ZURICH-AMERICAN INS. CO.	GLO8374233-02	COMMERCIAL GENERAL LIABILITY	2,800.00	GENERAL LIABILITY (OCCURRENCE) 2,000,000 GENERAL AGGREGATE PER LOCATION 1,000,000 OCCURRENCE LIMIT 2,000,000 PRODUCTS/COMPLETED OPERATIONS AGGREGATE 1,000,000 PERSONAL & ADVERTISING INJURY 50,000 FIRE DAMAGE LEGAL LIABILITY-ANY ONE FIRE 10,000 MEDICAL EXPENSE-ANY ONE PERSON EMPLOYEE BENEFITS LIABILITY (CLAIMS MADE) 1,000,000 EACH OCCURRENCE 1,000,000 AGGREGATE LIMIT DEDUCTIBLES 1,000 EMPLOYEE BENEFITS LIABILITY NONE-ALL OTHER
11/01/98-11/01/99	ROYAL INSURANCE CO. OF AMERICA	PSF000686	COMMERCIAL CRIME COVERAGE	7,755.00	1,000,000 BLANKET LIMIT FOR THE FOLLOWING EMPLOYEE THEFT-MONEY, SECURITIES AND OTHER PROPERTY PREMISES COVERAGE-MONEY AND SECURITIES TRANSIT COVERAGE-MONEY AND SECURITIES DEPOSITORS FORGERY COMPLETE THEFT & FUNDS TRANSFER COVERAGE 1,000,000 SPECIAL CRIME LIMIT DEDUCTIBLES 5,000 PER OCCURRENCE NONE SIR SPECIAL CRIME
11/01/98-11/01/99 QUARTERLY (NOV-JAN)	ROYAL INSURANCE CO. ATLANTIC MUTUAL COMPANIES	PSF000686 146018943- 0203	FIDUCIARY LIABILITY OCEAN CARGO COVERAGE	1,800.00 30,000.00	1,000,000 ANNUAL AGGREGATE 3,000,000 ANY ONE VESSEL 10,000 DEDUCTIBLE ALL OCCURRENCES 300,000 STOWED ON DECK

</TABLE>

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<TABLE> <CAPTION> COVERAGE DATES	INSURANCE COMPANY	POLICY #	DESC. OF COVERAGE	PREMIUM	COVERAGE
<S>	<C>	<C>	<C>	<C>	<C>
06/21/98-06/21/99	OMAHA PROPERTY & CASUALTY	3-0063- 8468-3	FLOOD INSURANCE		1,000,000 AIRCRAFT 500,000 BARGE 6,091.00 500,000 PRIMARY - 5,000 DEDUCTIBLE
04/12/98-04/12/99	MINN. MUTUAL	1463700H	KURT GUTFREUND DISABILITY	2,884.40	4,000 PER MO. 90 DAY ELIMINATION FOR LIFE
01/05/99- 02/05/2000	UNUM	LAN653298 DI	KURT GUTFREUND DISABILITY	1,519.00	2,000 PER MO. 90 DAY ELIMINATION TO AGE 65 ILLNESS
11/01/98-11/01/99	AETNA CASUALTY & SURETY	971015014	CUSTOMS BOND	1,300.00	LIFETIME ACCIDENT 450,000

</TABLE>

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SCHEDULE 5.17
INTELLECTUAL PROPERTY

- (i) Trademarks listed on schedule 2.1(a)(v) under the headings "Trademarks Under License" and "Mackintosh Trademarks" are not owned by M&L.
- (ii) All of the owned rights have been assigned to Chase Manhattan Bank.
- (iii) None
- (iv) None
- (v) None

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SCHEDULE 5.18
EQUIPMENT (WITH ORIGINAL PURCHASE PRICE OVER \$10,000)

<TABLE>
<CAPTION>

Description	Cost	Acquisition Date	Location
<S> Cambex Disk Drive	<C> 20,451.75	<C> 12-1-94	<C> Chicago office
Lectra Machine	40,531.69	6-1-95	Chicago office
Primavision Wkstation	19,500.00	12-1-96	Chicago office
Dell Network Comp	10,560.77	11-1-96	Chicago office
RS6000	40,862.32	12-1-97	Chicago office
Ford Windstar	21,724.31	2-1-97	Chicago office
Computer Network & Accs	24,825.00	8-1-95	Sri Lanka Office
Van	15,000.00	3-1-97	Sri Lanka Office
Lift Truck	17,122.25	9-1-95	Seattle Warehouse
	210,578.09		

</TABLE>

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SCHEDULE 5.19
CONDITION OF TITLE TO ASSETS

The following liens exist against the companies assets

- 1) The Chase Manhattan Bank
New York, NY
type: original
filing # 95056478
date filed: 03/21/1995
filed with: NY
Collateral: All assets including proceeds and products

type: original
filing # 1776297
date filed 06/27/1997
filed with: NJ
Collateral: All assets including proceeds and products

type: amendment
filing # 983270055 original # 950800044
date filed 11/23/1998
filed with: WA
Collateral: Inventory

- 2) Canon Financial Services, Inc.
 Burlington, NJ
 type: original
 filing # 003639085
 date filed 01/14/1997
 filed with: IL
 Collateral: Assets including proceeds and products - Leased Business Machinery/Equipment including proceeds and products
- 3) IBM Credit Corp
 White Plains, NY
 type: original
 filing # 003814423
 date filed 03/10/1998
 filed with: IL
 Collateral: Leased Computer Equipment

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M&L International Inc.

SCHEDULE 7.1

Consolidated Forecast Statement of
 Income
 INCI For The Year Ended December 31, 1999

<TABLE>
 <CAPTION>

	JAN 1999	FEB 1999	MAR 1999	1st Qtr	APR 1999	MAY 1999	JUNE 1999	2nd Qtr	Six Months	% OF SALES
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	2,806,001	458,247	529,841	3,794,089	390,239	1,009,691	2,496,380	3,896,310	7,690,399	100.00
Cost of sales	2,002,755	339,646	416,902	2,759,303	261,043	732,004	1,652,052	2,645,099	5,404,403	70.27
Gross profit	803,246	118,600	112,939	1,034,786	129,196	277,687	844,327	1,251,210	2,285,996	29.73
Selling expenses	335,126	247,814	235,033	817,973	253,330	297,494	280,885	831,709	1,649,682	21.45
General & administrative	500,412	460,377	464,791	1,425,580	488,094	428,527	443,229	1,359,850	2,785,430	36.22
Total S,G & A	835,538	708,191	699,824	2,243,553	741,424	726,021	724,115	2,191,559	4,435,112	57.67
Operating income	32,292	589,591	586,884	1,208,767	612,228	448,334	120,213	940,349	2,149,116	27.95
Interest Expense and Other Expenses	28,801	34,133	41,666	104,599	44,747	56,352	68,022	169,121	273,721	3.56
Interest Expense BAI	0	0	0	0	0	0	0	0	0	0.00
Banking Fees - Default	0	0	0	0	0	0	0	0	0	0.00
Interest Term Loan	0	0	0	0	0	0	0	0	0	0.00
Discontinued Operations Exp	0	0	0	0	0	0	0	0	0	0.00
Income bef. sub,OH & taxes	61,093	623,724	628,550	\$1,313,366	656,975	504,686	52,191	\$1,109,470	\$2,422,836	31.50
Amortization of intangibles	0	0	0	0	0	0	0	0	0	0.00
Equity in subsidiary	0	0	0	0	0	0	0	0	0	0.00
Corporate Overhead	0	0	0	0	0	0	0	0	0	0.00
Management fee	0	0	0	0	0	0	0	0	0	0.00
Income before taxes	61,093	623,724	628,550	1,313,366	656,975	504,686	52,191	1,109,470	2,422,836	31.50
Income tax provision	0	0	0	0	0	0	0	0	0	0
Net income	61,093	623,724	628,550	1,313,366	656,975	504,686	52,191	1,109,470	2,422,836	31.50

</TABLE>

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M&L International Inc.

SCHEDULE 7.1

Consolidated Forecast Statement of Income
 For The Year Ended December 31, 1999

<TABLE>
 <CAPTION>

	JULY 1999	AUG 1999	SEPT 1999	3RD QTR	NINE MONTHS	OCT 1999	NOV 1999	DEC 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	4,330,729	6,120,085	6,551,988	17,002,803	24,693,202	5,378,957	2,228,609	2,528,468
Cost of sales	2,836,321	3,965,513	4,322,551	11,124,385	16,528,787	3,492,677	1,423,018	1,680,755
Gross profit	1,494,408	2,154,572	2,229,437	5,878,418	8,164,414	1,886,280	805,591	847,713
Selling expenses	329,510	418,642	390,422	1,138,575	2,788,257	426,142	340,350	337,796
General & administrative	520,510	491,347	457,028	1,468,885	4,254,315	519,291	467,971	450,579
Total S,G & A	850,020	909,989	847,450	2,607,460	7,042,572	945,433	808,321	788,375
Operating income	644,388	1,244,583	1,381,987	3,270,958	1,121,842	940,847	2,730	59,338
Interest Expense and Other Expenses	82,896	92,377	91,972	267,245	540,965	81,255	40,047	38,256
Interest Expense BAI	0	0	0	0	0	0	0	0
Banking Fees - Default	0	0	0	0	0	0	0	0
Interest Term Loan	0	0	0	0	0	0	0	0
Discontinued Operations Exp	0	0	0	0	0	0	0	0
Income bef. sub,OH & taxes	561,492	1,152,207	1,290,015	\$ 3,003,714	\$ 580,877	859,592	42,777	21,082
Amortization of intangibles	0	0	0	0	0	0	0	0
Equity in subsidiary	0	0	0	0	0	0	0	0
Corporate Overhead	0	0	0	0	0	0	0	0
Management fee	0	0	0	0	0	0	0	0
Income before taxes	561,492	1,152,207	1,290,015	3,003,714	580,877	859,592	42,777	21,082
Income tax provision	1,000	3,000	3,000	7,000	7,000	3,000	0	0
Net income	560,492	1,149,207	1,287,015	2,996,714	573,877	856,592	42,777	21,082

</TABLE>

<TABLE>
<CAPTION>

	4TH QTR	TOTAL	% OF SALES	1998 CONSOLIDATED	% OF SALES
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	10,136,034	34,829,236	100.00	44,602,596	100.00
Cost of sales	6,596,450	23,125,238	66.40	29,454,119	66.04
Gross profit	3,539,584	11,703,998	33.60	15,148,477	33.96
Selling expenses	1,104,287	3,892,544	11.18	5,242,094	11.75
General & administrative	1,437,841	5,692,156	16.34	6,511,585	14.60
Total S,G & A	2,542,128	9,584,700	27.52	11,753,679	26.35
Operating income	997,456	2,119,298	6.08	3,394,798	7.61
Interest Expense and Other Expenses	159,558	700,524	2.01	1,012,008	2.27
Interest Expense BAI	0	0	0.00	610,949	1.37
Banking Fees - Default	0	0	0.00	250,000	0.56
Interest Term Loan	0	0	0.00	319,823	0.72
Discontinued Operations Exp	0	0	0.00	1,024,033	2.30
Income bef. sub,OH & taxes	837,897	\$ 1,418,774	4.07	\$ 1,399,883	3.14
Amortization of intangibles	0	0	0.00	20,016	0.04
Equity in subsidiary	0	0	0.00	0	0.00
Corporate Overhead	0	0	0.00	152,330	0.34
Management fee	0	0	0.00	0	0.00
Income before taxes	837,897	1,418,774	4.07	1,267,569	2.84
Income tax provision	3,000	10,000	0.70	10,854	0.86
Net income	834,897	1,408,774	4.04	1,256,714	2.82

</TABLE>

SCHEDULE 9.1
EMPLOYEES

<TABLE>
<CAPTION>

CHICAGO -----	N.Y. OFFICE -----	BANGLADESH - DHAKA -----
<S> EXECUTIVES -----	<C>	<C>
Albert DeCarlo	Cliff Uttan	Sharif Ahmed
Ken MacFarlane	John Nitti	David Halder
Kurt Gutfreund	David Pick	MD Shahadat Hossain
Patricia Pierce	Helen Tirado	MD Golam Rabbi
Daniel Sinnaduray	Barbara Arlia	Abdullah Mahamud
	Michael Mager	Richard Milton
	Kathryn Devlin	S. H. Khan
		Shafiquer Rahaman
	SEATTLE	Neser-Uddin
	-----	Amir Hossain
OFFICE		Abul Kalam
-----		Michale Kulantono
Alexandria Schroeder	Anna Clark	Ruhul Amin
Andrea Landon	Denny Ko	S.M. Babul
Andrew Shalla	Merv Box	M.R. Shelly
Arline Rogers	Patty Barker	Kamal Ahmed
Arlene Bernstein	William Barry	Samir K. Saha
Aronette Espada	Donna Battles	Tashin M. Shelly
Carol Gongala	Joyce Braunschweig	Firoz Alam
Denise Rix	Daniel Desmet	Abu Hanif
Ericka Hall	Keely Dever	Abul Kalam Azad
Fran Pappalardo	James Krager	Anis Kal
Gale Johnson	Dean Owens	Saiful Islam
German Velez	Joyce Palmer	Faruk Ahmed
Giselle Thomas	Melvin Ploegman	Saleh Ahmed
Hoa Vu	Timothy Risovi	P.V.P.A. Jayasinghe
Jamille Wilson	Fern Tyler	J.B. Rana Sashi
John Severns		
Julie Baro	SRI LANKA	HONG KONG
Karen Williams-Aguirre	-----	-----
Kelly Kramer	A. Thatchanamoorthy	Ronald Hui Kam Tai
Ky Huynh	Perera W. Janaka	Chito Marcelino
Leslie Cohn	M.C. Offen	Lam Kin Chi Kaser
Lisa Warechowicz	Jenifer Nicholas	Chan Yuk Fun Debby
Lisette Torres	Nalani Bathotuwa	Young Nga Kit
Magdalena Jarzebska	Shanthi Weerasinghe	Chan Chun Kit (Thomson)
	G.C. Demoore	
	Tyrone Fernando	

</TABLE>

<TABLE>

<S>	<C>	<C>
Mahendra Shah	Priyankara Mendis	Lui Kat Cheing (Tommy)
Marie Sabatka	P.L.A. Udayakantha	Kwan Suk Kuen (Idy)
Marlisse Rosado	C. Thushara	Shelly Tan Shaonen
Mel Smith	K.G. Gunaratne	Wong Wai Yan
Nikia Carter	M. Chandramoghan	Ng Sui Ha
Nurith Landau	Mohamed Irshad	Ho sat Yin
Nyekro Kuykendall		Pong Shiu Kuen
Paula Polizzi-Kellas	BANGLADESH - CHITTAGONG	Yam Chun Choi
Pamela Cabrera	-----	Yeung Ming Kit (Fready)
Ramona Strickland		Li Chi Kwan
Raymond McCallister	MD Haroon	Ng Kit Pui
Richard Cobbins	MD Khurshid Alam	Li Fu Yau Tai
Richard Ostrowski	Aminul Haque	Li Lai Yung
Robert Rud	Anayet Rabbi	Fung Siu Mei
Rodolfo Borja	Lucky Ghose	
Rosa Perez	Ismail Hossain	
Rosalind Young	Sajjad Hossain	
Rosalino Capio	J.M.D.J. Sydney	
Rosemary Jordan	Noel Gunaratne	
Sakinah Hudson		
Sarah Thomas	MADRAS	
Sue Kandefer	-----	
Sylkia Julia		
Tim Makinster	G. Bhagyesh	
Tracy Congdon		

</TABLE>

SCHEDULE 12.2

Closing Documents

1. Bill of Sale
2. Assignment of Assigned Contracts
3. Resolutions of the Board of Directors of each Seller approving the Asset Purchase Agreement and the sale of the Assets, certified by an officer of each Seller.
4. Certified copy of Certificates of Incorporation for each Seller.
5. Good standing certificates for each Seller from the jurisdiction in which it was organized and all jurisdictions in which each Seller is qualified to do business as a foreign corporation.
6. UCC-3 Termination Statements with respect to all Liens affecting the Assets in form for recordation in all jurisdictions where Financing Statements are filed.
7. Terminations of any and all recorded Liens against trademarks included in the Intellectual Property Rights.
8. The trademark assignments referred to in Section 7.12 in recordable form, or evidence of recordation thereof.
9. Assignments of all trademarks included in the Intellectual Property Rights, in recordable form.
10. Any third party consents required for consummation of the sale of the Assets by Sellers.
11. Escrow Agreement signed by Sellers.

INTERIM AGREEMENT

AGREEMENT made this 5th day of February, 1999 by and among M&L INTERNATIONAL, INC., an Illinois corporation with its principal office at 1333 North Kingsbury Street, Chicago, Illinois 60622 ("M&L International"), AMEREX (USA) INC., a New York corporation with its principal office at 350 Fifth Avenue, New York, New York 10118 ("Amerex"), and M&L INTERNATIONAL GROUP, LLC, a Delaware Limited Liability Company with its principal office at 350 Fifth Avenue, New York, New York 10118 ("M&LIG").

WITNESSETH:

WHEREAS, M&L International is, simultaneously with the execution and delivery of this Agreement, filing a petition to commence a reorganization case (the "Reorganization Case") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"); and

WHEREAS, after commencement of the Reorganization Case, M&L International will be operating its business as a debtor-in-possession pursuant to the Bankruptcy Code; and

WHEREAS, M&L, Amerex and M&LIG have concurrently entered into an Asset Purchase Agreement dated February 5, 1999 pursuant to which Amerex and M&LIG agree to purchase certain assets from M&L International and M&L International agrees to sell such assets to Amerex and M&LIG, all upon the terms and subject to the conditions set forth in such agreement (the "Asset Purchase Agreement"); and

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WHEREAS, Chase Manhattan Bank ("Chase") for itself, and as agent for certain other lenders (Chase and such other lenders to be referred to herein, collectively, as the "Secured Bank Group") have a first security interest in, and a cross collateralized continuing first lien on, the assets of M&L International (both tangible and intangible) together with the assets of its affiliated companies Mackintosh of New England Co. ("MacKintosh") and Biscayne Apparel International, Inc. d/b/a Varon ("Varon") as security for the cross collateralized obligations to the Secured Bank Group of Mackintosh, Varon and M&L International; and

WHEREAS, it is essential in order to preserve the viability of the business of M&L International as a going concern and to preserve the value of the assets of M&L International pending the sale of such assets, that certain purchase orders issued by customers to M&L International be fulfilled and that letters of credit be established for the manufacture of goods to fulfill these

customer purchase orders; and

WHEREAS, M&L International is unable to open such letters of credit because it has insufficient credit for such purpose; and

WHEREAS, M&L International, Amerex and M&LIG believe it is in the best interest of all the parties to enter into this Agreement on the terms and conditions hereinafter set forth, pursuant to which such customers' purchase orders shall be assigned by M&L to Amerex and M&LIG, the right to manufacture the goods and fill such customers' purchase orders shall be assigned to Amerex and M&LIG, and the right to use M&L International's trademarks and to license or sub-license on a non-exclusive basis the trademarks licensed to M&L International shall be assigned to Amerex and/or M&LIG, as more particularly set forth herein; and

WHEREAS, in order to induce Amerex and M&LIG to enter into this Agreement and to post letters of credit to manufacture the goods to fill such customers purchase orders, M&L

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International is prepared to indemnify and hold Amerex and M&LIG harmless from and against any loss or liability resulting from the assignment of such purchase orders and the posting of letters of credit and manufacture of goods to fill such purchase orders; and

WHEREAS, Amerex is only willing to enter into the Asset Purchase Agreement, and purchase the assets and business of M&L International, on the condition that the parties hereto enter into, and the Bankruptcy Court approves, this Interim Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements herein contained, the parties hereto hereby agree as follows:

Section 1. Sale of Customer Purchase Orders and Supplier Purchase Orders

1.1 M&L International does hereby assign to Amerex and M&LIG absolutely and irrevocably, free and clear of all claims, mortgages, security interests, liens, judgments, encumbrances and charges of any kind or nature, all of its right, title and interest in and to each of the customer purchase orders set forth on Schedule 1.1 annexed hereto (the "Contracts"). This is an absolute conveyance and assignment.

1.2 M&L International agrees to assign to Amerex and M&LIG, absolutely and irrevocably, free and clear of all claims, mortgages, security interests, liens, judgments, encumbrances and charges of any kind or nature, all of its

right, title and interest in and to additional customer purchase orders as mutually agreed to by the parties (the "Additional Contracts"). When made, this will be an absolute conveyance and assignment.

1.3 M&L International does hereby assign to Amerex and M&LIG, absolutely and unconditionally, free and clear of all claims, mortgages, security interests, liens, judgments, encumbrances and charges of any kind or nature, all of its right, title and interest in and to each of the purchase orders issued by M&L to its suppliers in connection with the manufacture of

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goods to fulfill the Contracts, as set forth on Schedule 1.3 (the "Supplier Purchase Orders") and to any additional Supplier Purchase Orders as mutually agreed to by the parties hereto (the "Additional Supplier Purchase Orders"). When made, this will be an absolute conveyance and assignment.

1.4 It is agreed that neither M&L International, its bankruptcy estate, nor the Secured Bank Group shall have any interest whatsoever in the Contracts, Additional Contracts, Supplier Purchase Orders, Additional Supplier Purchase Orders, L/C's (as defined below) or any goods manufactured pursuant thereto or any accounts receivable resulting therefrom.

Section 2. Grant of Licenses and Consents

2.1 M&L International and/or Mackintosh (as the case may be) hereby irrevocably and absolutely grant to Amerex and M&LIG a royalty free non-exclusive license with respect to the trademarks and trade names set forth on Schedule 2.1, all copyrights, drawings, patterns, sketches, designs, style and model numbers, artwork and other intangible property owned by M&L International and/or its affiliates (collectively, the "Intellectual Property"), to use such Intellectual Property in connection with the manufacture and sale of goods to fulfill the Contracts and Additional Contracts. M&L International hereby absolutely and irrevocably assigns and sub-licenses on a non-exclusive basis to Amerex and M&LIG the right to use all licensed Intellectual Property in connection with the manufacture and sale of any merchandise or goods pursuant to the Contracts and Additional Contracts.

2.2 M&L International hereby irrevocably grants to Amerex and M&LIG a royalty free non-exclusive sub-license to use all licensed rights it has from Healthtex Apparel Corp, Starter Corporation and Eclipse, Incorporated (the "Licensors") in connection with the manufacture and sale of the goods to fulfill the Contracts and Additional Contracts. M&L

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International shall obtain an order of the Bankruptcy Court authorizing Amerex

to use the trademarks or trade names of Licensors, or in lieu thereof, obtain the consent of the Licensors to the non-exclusive license and/or to the sub-licensing of the trademarks and trade names for use by Amerex and M&LIG in the manufacture and sale of goods pursuant to the Contracts and Additional Contracts. M&L International hereby irrevocably consents to the Licensors granting directly to Amerex and M&LIG non-exclusive licenses and/or sub-licenses authorizing Amerex and M&LIG to use all licensed rights in connection with the manufacture and sale of any merchandise or goods manufactured and sold to fulfill the Contracts and Additional Contracts. Amerex agrees to pay respectively to each Licensor the percentage royalty due to such Licensor under the license agreement between M&L International and such Licensor solely with respect to the goods manufactured and sold by Amerex or M&LIG pursuant to the Contracts and Additional Contracts which utilize such Licensor's trademark or trade name; provided however, Amerex and M&LIG shall have no obligation to any Licensor with respect to any minimum or guaranteed royalties.

2.3 M&L International acknowledges that the consideration for these non-exclusive licenses, sub-licenses and consents has been fully paid and received by M&L International.

2.4 M&L International consents to Amerex and M&LIG manufacturing the goods in the factories currently doing business with M&L International to fulfill the Contracts and Additional Contracts. Subject to orders of the Bankruptcy Court, and the provisions of any cash collateral stipulations or orders, M&L International agrees that it will, at its sole cost and expense, take all actions reasonably necessary or appropriate, in the ordinary course of business as historically conducted by M&L International (except for the opening of Letters of Credit by M&L International) to facilitate the ability of Amerex and M&LIG to perform the Contracts and

Additional Contracts and M&L International will not take any action that would interfere with the ability of Amerex or M&LIG to perform the Contracts and realize the benefits of the licenses and sub-licenses granted to Amerex pursuant to this Agreement. All costs and expenses incurred by M&L International in performing its obligations pursuant to the foregoing sentence shall be included in "Operating Costs and Expenses," as defined in the Asset Purchase Agreement. If Amerex or M&LIG requests M&L International to take any action outside the ordinary course of business as historically conducted by M&L International, Amerex shall advance to M&L International any third party costs and expenses incurred by M&L International in connection therewith.

Section 3. Letters of Credit

3.1 Provided the Licensors have consented to the sub-licenses to Amerex and M&LIG for the use of the trademarks and trade names of Licensors, or the Bankruptcy Court has entered orders authorizing Amerex to use the trademarks and

trade names of Licensors, Amerex agrees to open letters of credit ("L/Cs") to the factories and material suppliers in its own name for the manufacture and direct purchase by Amerex and/or M&LIG of goods to fulfill the Contracts. From time to time, as Additional Contracts are assigned to Amerex, Amerex agrees to open additional L/Cs to the suppliers and manufacturers for the manufacture of goods to fulfill such Additional Contracts. Amerex shall have the absolute right at any time to refuse to accept Additional Contracts and to refuse to open L/Cs for the manufacture of goods to fulfill such Additional Contracts. Simultaneously with opening any L/Cs or entering into any contracts with factories or suppliers, Amerex will deliver to M&L International copies of such L/Cs and contracts.

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3.2 M&L International agrees to pay to Amerex a service fee in the sum of four (4%) percent of the total face amount of all of the L/Cs opened by Amerex (the "Service Fee") and to reimburse Amerex for all bank charges, bank fees and other bank expenses incurred by Amerex in connection with opening the L/Cs and the advances provided for in Section 2.4 but not to exceed one-half percent (1/2%) of the total face amount of all L/Cs (the "Expenses"), provided that, such Service Fee and Expenses shall not be payable to Amerex (i) if the Bankruptcy Court approves the sale of the assets and business of M&L International to M&LIG pursuant to the Asset Purchase Agreement and M&L International is not in default thereunder, (ii) if M&LIG closes the purchase of the assets and business of M&L International despite any default by M&L International, or (iii) if the Bankruptcy Court does not approve a sale of the assets and business of M&L International to M&LIG or to any Alternate Bidder (as defined below).

3.3 In the event that the assets and business of M&L International shall be sold to a successful alternate bidder (the "Alternate Bidder"), the order of the Bankruptcy Court approving the sale to the Alternate Bidder shall require the Alternate Bidder to:

(a) on the closing date of the sale to the Alternate Bidder (the "Alternate Bid Closing Date"), post letters of credit as substitutes for all L/Cs posted by Amerex ("Amerex Open L/Cs") and obtain the delivery for cancellation by the beneficiary of the Amerex Open L/Cs for which it is substituting, or, in the alternative, deliver the written undertaking of a commercial bank having assets of least \$200,000,000 to honor and pay all draws upon each Amerex Open L/C and to indemnify the bank which issued the Amerex Open L/Cs against such Amerex Open L/Cs; and

(b) on the Alternate Bid Closing Date, purchase back from Amerex for \$1.00 the Contracts and Additional Contracts, and assume and indemnify Amerex and M&LIG against

all obligations thereunder including, without limitation, any obligations to Licensors to pay royalties and license fees, and to assume all obligations under the Supplier Purchase Orders and Additional Supplier Purchase Orders; and

(c) pay to Amerex on the Alternate Bid Closing Date, out of the purchase price, the Service Fee and Expenses.

Upon entry of an order of the Bankruptcy Court containing the provisions in this Section 3.3, M&L International shall have no further liability for the Service Fee and Expenses.

3.4 In consideration of the fulfillment by the Alternate Bidder of the conditions of Section 3.3 above, at the closing of the sale by M&L International to the Alternate Bidder, Amerex shall reassign to the Alternate Bidder all of the Contracts and Additional Contracts and Supplier Purchase Orders and Additional Supplier Purchase Orders previously assigned to Amerex together with the rights to use the Intellectual Property and the licenses with respect to the goods.

3.5 Two (2) business days prior to the hearing to approve the Asset Purchase Agreement, Amerex shall deliver to M&L a certified statement of its Chief Financial Officer which shall identify: (i) all Amerex Open L/Cs, (ii) all Contracts and Additional Contracts and (iii) the amount of the Service Fee and Expenses. M&L International and the Alternate Bidder may rely on such certificate to establish the amounts due and obligations pursuant to Section 3.3 above.

Section 4. Indemnification of Amerex Against Loss.

M&L International hereby absolutely, irrevocably and unconditionally agrees to indemnify and hold Amerex harmless from and against any and all loss, cost and expense of Amerex whatsoever in connection with its opening of the L/Cs and manufacture and the sale of

the goods to fulfill the Contracts and Additional Contracts, provided that, any claim for indemnification hereunder is delivered to M&L International no later than March 31, 2000. Amerex shall use its best efforts to mitigate its losses by the sale of such goods to the customers under the Contracts or, on canceled or refused orders, to other customers. From time to time, Amerex shall present to M&L International its detailed statement of any loss it suffers and shall provide a written accounting upon request by M&L International. Notwithstanding the foregoing, M&L International shall not be liable to Amerex for any

unrealized profit on the sale of goods. In determining the amount of loss, cost, or expense, the Contracts and Additional Contracts shall be treated as a whole such that any profit, gain or benefit from any specific Contract or Additional Contract shall offset any loss or damage from other Contracts or Additional Contracts. Amerex shall maintain appropriately detailed records which shall be sufficient to enable the parties to determine the profit, loss, gain, benefit or expense or cost attributable to the Contracts or Additional Contracts. The provisions of this Section 4 shall terminate (i) upon entry by the Bankruptcy Court of the Order (as defined in the Asset Purchase Agreement), unless M&L International is in default under the Asset Purchase Agreement, or (ii) if, pursuant to the Order, M&LIG closes the purchase of the assets and business of M&L International despite any default by M&L International, or, (iii) if the assets and business of M&L International are sold to an Alternate Bidder and the Bankruptcy Court enters an order containing the provisions set forth in Section 3.3. If M&LIG terminates the Asset Purchase Agreement due to a default by M&L International, the provisions of this Section 4 shall continue in effect in accordance with its terms.

Section 5. Conditions.

The provisions of this Agreement, the obligations of M&L International hereunder, and the obligations of Amerex to open L/Cs for the manufacture of goods to fulfill the Contracts is at all times conditioned upon (i) the issuance by the Bankruptcy Court of an emergency order on or before February 9, 1999 approving (x) this Interim Agreement and all of the terms, conditions and provisions hereof, and (y) the opening of L/Cs by Amerex to fulfill some or all of the Contracts, and (ii) the consent of the Licensors to Amerex and M&LIG obtaining licenses and/or sub-licenses from the Licensors or an order of the Bankruptcy Court authorizing use by Amerex or M&LIG of the trademarks and trade names of Licensors. Notwithstanding anything herein to the contrary, if the initial emergency order does not approve the opening of L/Cs to fulfill all of the Contracts and Additional Contracts, then Amerex shall only be required to open L/Cs to the extent approved by the Bankruptcy Court in the initial emergency order and, thereafter, if, when and as approved by the Bankruptcy Court in subsequent orders.

Section 6. General and Miscellaneous

6.1 No party hereto shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other parties hereto and any such attempted assignment without such prior written consent shall be void and of no force and effect.

6.2 This Agreement shall be construed, performed and enforced in accordance with, and governed by, the laws of the State of New York, without

giving effect to the principles of conflicts of laws thereof. The parties hereto irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with this Agreement, and consent to the jurisdiction of, the Bankruptcy Court.

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6.3 The parties agree that, from time to time, each of them shall forthwith execute and deliver such documents as the other parties hereto or their respective counsel may reasonably request to effectuate the purposes of this Agreement.

6.4 In the event that any part of this Agreement is declared by any court or other judicial or administrative body to be null, void or unenforceable, said provision shall survive to the extent it is not so declared, and all of the provisions of this Agreement shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

6.5 All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given: (i) on the date of service if served personally on the party to whom notice is to be given; (ii) on the day of transmission if sent via facsimile transmission to the facsimile number given below, and electronic confirmation of receipt is obtained promptly after completion of the transmission; (iii) on the date after delivery to Federal Express or similar overnight courier or the Express Mail service maintained by the United States Postal Service; or (iv) on the fifth day after mailing, if mailed to the party to whom notice is given, by first class mail, registered or certified, postage prepaid and properly addressed, to the party at its address or telecopier number set forth below:

If to M&L International:

M&L International, Inc.
c/o Trivest
2665 South Bayshore Drive
Suite 800
Miami, Florida 33133-5301
Attn.: Peter Vandenberg, Jr.
Telecopier No.: (305) 285-0102

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With a copy to:

Greenberg Traurig
Met Life Building
200 Park Ave., 15th Floor
New York, NY 10166
Attn.: Richard N. Tilton, Esq.
Telecopier No.: (212) 801-6400;

Salomon Green & Ostrow, P.C.
919 Third Avenue
15th Floor
New York, New York 10022
Attn.: Nicholas F. Kajon, Esq.
Telecopier No.: (212) 319-8505;

Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, New York 10178-0060
Attn.: Mark F. Liscio, Esq.
Telecopier No.: (212) 309-6273;

and, if a committee is appointed in the Reorganization Case,
to counsel for such committee at the address specified by M&L
International in written notice to Amerex given in the manner
set forth herein.

If to Amerex or M&LIG:

Amerex (USA) Inc.
350 Fifth Ave.
New York, NY 10018
Attn.: Fred R. Shvets
Chairman
Telecopier No. (212) 967-3352

With a copy to:

Rosen & Reade, LLP
757 Third Ave.
New York, NY 10017
Attn.: Lawrence A. Blatte, Esq.
Telecopier No. (212) 755-5600

Any party may change its address for the purpose of this Section by giving the other party written notice of its new address in the manner set forth above.

6.6 This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be nor construed as a further or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

6.7 This Agreement contains the entire understanding among the parties hereto with respect to the transactions contemplated hereby and supersedes and replaces all prior and contemporaneous agreements and understandings, oral or written, with regard to such transactions. All schedules hereto and any documents and instruments delivered pursuant to any provision hereof are expressly made a part of this Agreement as fully as though completely set forth herein.

6.8 The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

6.9 Any reference in this Agreement to a day shall mean a Business Day. If the day on which any action is required to be performed or to take place is not a Business Day in New York, New York, then such action shall not be required, or shall not take place, until the next Business Day thereafter.

6.10 This Agreement may be executed in two or more counterparts each of which shall be an original and all of which, taken together, shall be deemed one and the same document.

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6.11 Amerex, M&LIG and M&L International shall each be entitled to specific performance of the terms and provisions of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day and year first above written.

M&L International, Inc.

By: _____
Name: _____
Title: _____

Amerex (USA) Inc.

By: _____
Name: _____
Title: _____

M&L International Group LLC

By: _____
Name: _____
Title: _____

Mackintosh of New England Co.
(as to Section 2.1 only)

By: _____
Name: _____
Title: _____

List of Schedules

Schedule 1.1	Customer Purchase Orders
Schedule 1.3	Supplier Purchase Orders
Schedule 2.1	Trademarks

FOR IMMEDIATE RELEASE

FOR MORE INFORMATION CONTACT:
PETER VANDENBERG, JR.
PRESIDENT AND CHIEF OPERATING OFFICER
(973) 473-3240 X15

FEBRUARY 5, 1999

BISCAYNE APPAREL FILES FOR PROTECTION
UNDER CHAPTER 11 BANKRUPTCY
AND ANNOUNCES PENDING SALE OF M&L INTERNATIONAL, INC.

CLIFTON, NJ - (February ,1999) Biscayne Apparel, Inc. ("the Company,") or "BISCAYNE"), (NASDAQ over-the-counter (OTC) bulletin board: BISSD) today announced that it and its subsidiary, M&L International, Inc. ("M&L") filed for protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 petitions were filed with the United Sates Bankruptcy Court for the Southern District of New York.

Concurrent with the Chapter 11 filings, Biscayne announced that M&L has entered into an Asset Purchase Agreement and an Interim Agreement and Security Agreement (collectively "the Agreements") with a subsidiary of Amerex (USA) Inc. ("NEWCO") to purchase a substantial portion of M&L's assets and operations, subject to the approval of the Bankruptcy Court.

As previously announced, the Company did not make the interest payment due on December 15, 1998 relating to its 13% Subordinated Notes due December 15, 1999 (the "Subordinated Notes"). Pursuant to the Indenture for the Subordinated Notes, the Company's non-payment of interest became an Event of Default. Once an Event of Default occurs and is continuing, the Trustee by notice to the Company, or the holders of a majority in principal amount of the Securities then outstanding by notice to the Company and the Trustee, may declare to be due and payable immediately on all outstanding Subordinated Notes an amount equal to the sum of the outstanding principal balance of the Subordinated Notes and any accrued interest. If the Subordinated Notes, and accrued interest thereon, were accelerated, the Company would not be able to operate without immediate alternative financing becoming available.

Additionally, the Company has not been in compliance with certain requirements of its Loan Agreement, relating to collateral coverage and levels of tangible net worth. The Company's lenders have allowed the Company to remain in violation

of its Loan Agreement. However, a Reservation of Rights and Waiver agreement was entered into whereby the company's bank lenders agreed to extend credit at their discretion without waiving any rights that arose upon the events of default.

The Company had discussed its continuing financing needs for 1999 with its existing lenders and other lenders. Neither existing lenders or any such lenders agreed to fund such needs or otherwise to provide working capital financing that would permit the company to operate as it has in the past.

Without immediate financing available for M&L, the company was faced with the alternative of a sale or liquidation of M&L. If M&L were unable to open letters of credit on a timely basis, the value of M&L's assets and operations, as a going concern, would rapidly diminish. Therefore, the company entered into the agreements, which provide that NEWCO would open letters of credit for M&L and in turn receive an assignment of related customer order backlog against such goods, and a second lien on M&L's assets, subordinated to M&L's current bank lenders. The Agreements are subject to the approval of the Bankruptcy Court.

Therefore, in order to effect an orderly sale of M&L, the Company and M&L filed for protection under Chapter 11 of the Bankruptcy Code. M&L anticipates that the net proceeds from finalization of the sale and liquidation of its assets shall be sufficient to ultimately repay its liabilities, however, such sale is contingent upon the approval of the Bankruptcy Court and various terms and conditions within the agreements being satisfied.

Previously, Biscayne announced that it had retain the investment banking arm of Kurt Salmon Associates, an Atlanta-based consultant to retailers and consumer products companies, to advise the Company on strategic alternatives. As a result of this process, the Company determined to dispose of the majority of the assets of its subsidiaries' Biscayne Apparel International, Inc. ("BAII") and Mackintosh of New England Co. ("Mackintosh"). The Company is in the process of finalizing the sale and liquidation of the remaining assets of these subsidiaries.

This news release contains certain forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward looking statements involve risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Disposition of some or all of the remaining operating units and/or assets of the Company may not be completed within the foreseeable future. All forward-looking statements should be considered in light of these risks and uncertainties.