FORM S-1

General form of registration statement for all companies including face-amount certificate companies

Filing Date: **1996-08-26**
SEC Accession No. 0000950109-96-005511

FILER

SPECIALTY CATALOG CORP
CIK:**1020897**| IRS No.: **043253301** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-1** | Act: **33** | File No.: **333-10793** | Film No.: **96620234**

Mailing Address
21 BRISTOL DRIVE
SOUTH EASTON MA 02375

Business Address
21 BRISTOL DRIVE
SOUTH EASTON MA 02375
5082380199

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST , 1996

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SPECIALTY CATALOG CORP.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	5961	04-3253301
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

21 BRISTOL DRIVE
SOUTH EASTON, MA 02375
(508) 238-0199
(ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES AND PRINCIPAL PLACE OF BUSINESS)

STEVEN L. BOCK, CHAIRMAN AND CHIEF EXECUTIVE OFFICER
21 BRISTOL DRIVE SOUTH
EASTON, MA 02375
(508) 238-0199
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

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600 THIRD AVENUE
NEW YORK, NEW YORK 10016
TELEPHONE NO.:(212) 818-8800
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

<TABLE>
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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Common Stock $.01 par value.....	1,437,500(2)	$ 8.00	$11,500,000	$3,965.52
Underwriter's Purchase Option.....	1	$100.00	$ 100	(3)
Common Stock Underlying Underwriter's Purchase Option.....	125,000	$ 8.80	$ 1,100,000	$ 379.31
Total.....	--	--	12,600,100	$4,344.83

</TABLE>

(1) Estimated solely for the purposes of calculating the registration fee.
(2) Includes 187,500 shares which may be issued upon exercise of a 45-day option granted to the Underwriter to cover over-allotments, if any. See "Underwriting."
(3) Pursuant to Rule 457(g), no registration fee is payable.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SPECIALTY CATALOG CORP.

CROSS REFERENCE SHEET
SHOWING LOCATION IN PROSPECTUS OF INFORMATION REQUIRED
BY ITEMS OF FORM S-1

<TABLE>
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FORM S-1 ITEM	LOCATION IN PROSPECTUS
<C> <S>	<C>
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Front Cover Page of Registration Statement; Cross-Reference Sheet; Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page of Prospectus and Outside Back Cover Page of Prospectus
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Prospectus Summary; Use of Proceeds
5. Determination of Offering Price.....	Underwriting
6. Dilution.....	Risk Factors; Dilution
7. Selling Security Holders.....	Inapplicable
8. Plan of Distribution.....	Outside Front Cover Page of Prospectus; Underwriting
9. Description of Securities to Be Registered.....	Outside Front Cover Page of

	Prospectus; Prospectus Summary; Description of Securities; Underwriting
10. Interests of Named Experts and Counsel	Inapplicable
11. Information with Respect to the Registrant	Outside Front Cover Page of Prospectus; Prospectus Summary; Reorganization; Risk Factors; Dividend Policy; Capitalization; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Transactions; Principal Stockholders; Description of Securities; Shares Eligible for Future Sale; Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Description of Securities

</TABLE>

+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED AUGUST , 1996

PROSPECTUS

1,250,000 SHARES

[LOGO OF SPECIALTY CATALOG CORP APPEARS HERE]

SPECIALTY CATALOG CORP.

COMMON STOCK

All of the 1,250,000 shares of Common Stock ("Common Stock") offered hereby are being sold by Specialty Catalog Corp. ("Company").

Prior to this offering ("Offering"), there has been no public market for the Common Stock of the Company and there can be no assurance that any such market will develop. It is currently anticipated that the initial public offering price of the shares will be between $7.25 and $8.00. See "Underwriting" for information relating to the factors considered in determining the initial public offering price of the Common Stock. The Company has applied for the Common Stock to be quoted on the Nasdaq National Market under the symbol ("CTLG").

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE IN NATURE, INVOLVE A HIGH DEGREE OF RISK AND SUBSTANTIAL DILUTION. SEE "RISK FACTORS" AT PAGE 9 HEREOF AND DILUTION AT PAGE 17 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)
<S>	<C>	<C>	<C>
Per Share	$	$	$
Total(3)	$	$	$

</TABLE>

(1) Does not include a 2.5% nonaccountable expense allowance which the Company has agreed to pay the Underwriter. The Company has also agreed to sell the Underwriter an option ("Underwriter's Purchase Option") to purchase 125,000 shares of Common Stock and indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended ("Securities Act"). See "Underwriting."

(2) Before deducting expenses payable by the Company, including the nonaccountable expense allowance in the amount of $ ($ if the Underwriter's over-allotment option is exercised in full), estimated at $.

(3) The Company has granted the Underwriter an option, exercisable within 45 days from the date of this Prospectus, to purchase up to 187,500 additional shares of Common Stock on the same terms set forth above, solely for the purpose of covering over-allotments, if any. If such over-allotment option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $, $, and $, respectively. See "Underwriting."

The shares of Common Stock are being offered by the Underwriter, subject to prior sale, when, as and if delivered to and accepted by the Underwriter and subject to the approval of certain legal matters by counsel and certain other conditions. The Underwriter reserves the right to withdraw, cancel or modify this Offering and to reject any order in whole or in part. It is expected that delivery of certificates representing the securities comprising the shares of Common Stock will be made against payment therefor at the offices of the Underwriter in New York City, on or about , 1996.

[LOGO OF GKN SECURITIES APPEARS HERE]

, 1996

[PHOTOS]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This prospectus contains references to trademarks of entities other than the Company, which have reserved all rights with respects to their respective trademarks.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise indicated, "Company" shall include the two operating subsidiaries of the Company, SC Corporation, doing business under the name SC Direct ("SC Direct"), and SC Publishing, Inc. ("SC Publishing"), a wholly-owned subsidiary of SC Direct. Each prospective investor is urged to read this Prospectus in its entirety.

THE COMPANY

The Company is a direct marketer targeting niche consumer product categories. SC Direct, its principal operating subsidiary, is the leading U.S. retailer of

women's wigs and hairpieces. SC Publishing, a subsidiary of SC Direct, sells continuing education courses to nurses, real estate professionals and Certified Public Accountants ("CPA's").

SC Direct sells wigs and hairpieces primarily to women over the age of 50, using three distinct catalogs: Paula Young (R), Christine Jordan (TM) and Especially Yours (TM). In 1995, SC Direct mailed 20.9 million catalogs, generating net sales of $37.3 million. SC Direct has developed a proprietary data base consisting of approximately 5.6 million persons, including more than 875,000 active customers and more than one million active inquirers. Due to the fact that wig wearers are difficult to find, the Company believes that its wig database is unique and would be very expensive to replicate. The Company believes that this poses a substantial barrier to entry for any potential competitor.

Women over age 50, SC Direct's target market, is projected by the U.S. Census Bureau to grow from 38.7 million women, or 38% of the total female population in 1995, to 51.5 million women, or 45% of the total female population in 2010. This growth is driven primarily by aging "baby-boomers." The Company believes that only approximately five million, or 25%, of the 20 million American women with thinning hair currently wear wigs, and that, accordingly, there is substantial opportunity for future growth of SC Direct's business.

SC Direct's strategy for its core business is to exploit new distribution opportunities for wigs and hairpieces and to sell additional products to its customers. For example, in the last three years, SC Direct has introduced its upscale Christine Jordan catalog and its Especially Yours catalog for African-American customers, expanded into international markets and begun a test program selling to hair salons.

In 1995, SC Direct launched its Paula's Hatbox (TM) catalog through which it sells a variety of fashion hats to women. The Company believes that the market for fashion hats has niche characteristics similar to those of the wig market. In addition, SC Direct intends to enter a new market by testing men's wigs in the Paula Young catalog in early 1997.

The Company utilizes primarily a two-step marketing program. Step one involves obtaining prospective customers through a targeted advertising program. Step two, which commences when a prospective customer responds favorably to step one of the program, involves sending such prospective customer a series of catalogs designed to elicit an initial sale. Through this program, the Company has been able to convert 15% to 20% of persons who request catalogs into customers. Because this program involves targeted mailings only to persons who have shown an interest in its products, the Company has also been able to reduce its exposure to increases in paper, postage and other catalog production costs.

SC Publishing offers nurses, real estate agents and CPA's home study continuing education through the Western Schools(R) catalogs. SC Publishing's strategy is to build its business by offering additional products and programs to its core customers and by expanding into new and related professional fields. In 1995, SC Publishing mailed 8.4 million catalogs generating net sales of $5.3 million.

The Company intends to build its existing niche markets and enter new niche markets both by internal expansion and through acquisitions. Niche markets are characterized by smaller market size, unique or hard to find products, or hard to locate customers. The Company plans to implement its two-step marketing program in new and acquired businesses where appropriate.

The catalog industry is very fragmented, with over 8,000 catalogs currently being circulated. Many catalog retailers, especially the smaller ones, are finding it difficult to grow due to a combination of capital constraints, higher costs and an inability to achieve sufficient operating economies of scale. This situation was exacerbated by substantial increases in paper and postage costs in 1995. The Company believes that this environment will create many acquisition opportunities, allowing it to select acquisition candidates that provide either strategic growth to its existing businesses or an opportunity to enter additional niche markets.

The Company was incorporated in Delaware on November 30, 1994, as a holding company for SC Direct and SC Publishing. The principal executive offices of the

Company are located at 21 Bristol Drive, South Easton, Massachusetts 02375 and its telephone number is (508) 238-0199.

THE OFFERING

Common Stock Offered	1,250,000 shares
Common Stock Outstanding Prior to this Offering	3,201,666 shares
Common Stock to be Outstanding After this Offering	4,451,666 shares
Proposed Nasdaq National Market Symbol	CTLG

USE OF PROCEEDS

The Company intends to apply the net proceeds of this Offering to repay $5.9 million of the Company's Senior Indebtedness (as defined herein), including (i) $1.5 million to pay down the outstanding amount under the revolving credit portion of the Senior Indebtedness; (ii) $1.8 million of the Senior Indebtedness which is due within one year of the date hereof; and (iii) $2.6 million of the Senior Indebtedness which is due more than one year following the date hereof. The remaining $2.0 million will be used for working capital and general corporate purposes. See "Use of Proceeds."

RISK FACTORS

The securities offered hereby involve a high degree of risk, including without limitation: substantial indebtedness; pledge of assets; substantial portion of proceeds used to pay debt; broad discretion in application of remaining proceeds; possible inability to refinance senior indebtedness; working capital deficit; negative net worth; recent decrease in net sales and net income; effectiveness of catalogs and advertising; postal rates, paper prices and media costs; limited sources of fiber and limited number of wig manufacturers. See "Risk Factors."

SUMMARY FINANCIAL AND OPERATING DATA

The summary financial data presented below, except for the summary operating data, as of and for the fiscal years ended January 1, 1994, December 31, 1994 and December 30, 1995 is derived from the audited financial statements of the Company included herein. The financial data for fiscal years ended December 28, 1991 and January 2, 1993 and the financial data for the six months ended July 1, 1995 and June 29, 1996 except for the summary operating data, are derived from the unaudited financial statements of the Company. In the opinion of management, the summary financial data presented below as of and for the six months ended July 1, 1995 and June 29, 1996 include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods. The six month results are not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements of the Company, including the notes thereto, appearing elsewhere herein.

<TABLE>
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	HISTORICAL							PRO FORMA AS ADJUSTED(6)	
	FISCAL YEAR ENDED					SIX MONTHS ENDED		FISCAL YEAR ENDED	SIX MONTHS ENDED
	DEC. 28, 1991	JAN. 2, 1993	JAN. 1, 1994	DEC. 31, 1994	DEC. 30, 1995	JULY 1, 1995	JUNE 29, 1996	DEC. 30, 1995	JUNE 29, 1996
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND AVERAGE ORDER SIZE)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:									
Net sales(1)	$ 30,817	$ 32,430	$ 33,801	$38,179	$42,568	$22,419	$18,754	$42,568	$18,754

Interest expense, net...	3,242	3,080	431	661	1,918	958	909	1,343	623
Income (loss) before income taxes, cumulative effect of change in accounting principle and extraordinary item.....	(5,876)	(2,136)	992	710	522	554	149	872	322
Net income (loss)(2)....	$ (5,897)	$ (2,136)	$ 9,977	$12,789	$ 522	$ 554	$ 149	$ 872	$ 322
EARNINGS (LOSS) PER COMMON SHARE:									
Income (loss) before income taxes, cumulative effect of change in accounting principle and extraordinary item.....	$ (2.09)	$ (0.76)	$ 0.33	$ 0.22	$ 0.08	$ 0.13	$ 0.00	$ 0.17	$ 0.06
Net income (loss)(3)....	$ (2.09)	$ (0.76)	$ 3.30	$ 4.22	$ 0.08	$ 0.13	$ 0.00	$ 0.17	$ 0.06
SUMMARY OPERATING DATA:									
Total catalog circulation(4).....	17,122	17,562	18,807	22,623	29,342	15,337	12,882		
Active customer file....	762	890	941	1,094	1,096	1,254	1,222		
Average order size.....	$ 56.17	$ 57.98	$ 60.82	$ 60.27	$ 61.05	$ 60.05	$ 62.85		
BALANCE SHEET DATA:									
Working capital.....	$ (3,480)	$ (30)	$ 157	$ 2,114	$ 649	$ 2,248	$ (185)		$ 1,895
Total assets.....	10,756	6,150	19,142	17,364	18,170	18,756	17,777		20,697
Long-term debt(5).....	(28,461)	31,621	30,125	15,180	12,876	14,836	11,813		9,343
Redeemable preferred stock.....	--	--	--	2,249	2,249	2,249	2,249		--
Stockholders' equity (deficiency).....	$(28,222)	$(30,358)	$(20,381)	$(4,654)	$(4,416)	$(4,245)	$(4,413)		$ 4,118

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(1) Net sales for the fiscal years ended December 28, 1991 and January 2, 1993 exclude sales from subsidiaries that were sold in 1993. See the financial statements and the notes thereto.

(2) Net income reflects for the fiscal year ended January 1, 1994, a gain of $8,985,122 from the cumulative effect of change in accounting for income taxes and for the fiscal year ended December 31, 1994, a gain from extraordinary item of $12,078,489 resulting from the forgiveness of debt upon the Company's emergence from bankruptcy.

(3) Earnings per share for each fiscal year of the Company is computed by dividing net income after preferred dividends for such fiscal year by the weighted average number of shares of Common Stock and common stock equivalents outstanding during such fiscal year. See the financial statements and the notes thereto.

(4) Reflects number of customers who are being mailed catalogs at the end of each period.

(5) Long term debt reflects for fiscal years ended January 2, 1993 and January 1, 1994 amounts subject to settlement under reorganization proceedings.

(6) Adjusted to reflect as of January 1, 1995: (i) the sale of 878,957 shares by the Company in this Offering at an estimated initial public offering price of $7.50 per share less the Underwriters discount; (ii) the application of the estimated net proceeds therefrom to repay $5.9 of Senior Indebtedness as described in "Use of Proceeds;" and (iii) the issuance of the Warrants (as defined below).

Unless otherwise indicated, the information in this Prospectus does not give effect to: (i) 500,000 shares of the Company reserved for issuance under the Company's 1996 Stock Option Plan ("Plan"), of which options to purchase 252,150 shares of Common Stock have been granted; (ii) 187,500 shares which may be issued upon exercise of the Underwriter's over-allotment option; (iii) 125,000 shares reserved for issuance pursuant to the Underwriter's Purchase Option; (iv) 657,999 shares reserved for issuance upon exercise of other outstanding options issued to Steven L. Bock and Stephen M. O'Hara, the Company's Chief Executive Officer and President, respectively ("Officers' Options"); and (v) 265,335 shares reserved for issuance upon exercise of certain outstanding warrants issued to a director and others ("Warrants"). Unless otherwise indicated, the number of shares of Common Stock and all per share information gives effect to: (x) the 325.51 for 1 stock split to be effected immediately prior to effectiveness of the registration statement of which this prospectus is a part ("Registration Statement") and (y) the conversion, on a pro rata basis, of 22,491 shares ($2,249,100 face amount) of 13% preferred stock ("13%

Preferred Stock") into 375,000 (post-split) shares of Common Stock immediately prior to this Offering ("Preferred Conversion").

REORGANIZATION

The Company was incorporated on November 30, 1994 for the purpose of becoming the parent company of SC Corporation. SC Corporation was incorporated in February 1989 and in March 1989 acquired four companies engaged in the catalog business: Wigs by Paula, Inc. ("Wigs"), the predecessor of SC Direct; Western Schools Inc., the predecessor of SC Publishing; After the Stork, Inc. ("Stork"), a children's apparel company; and Brotman's Inc. and Fabrics in Vogue ("Brotman"), a company selling fabrics to people who sew at home. These companies could not support the indebtedness borrowed by SC Corporation in order to consummate the acquisitions, and SC Corporation and each of its four subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy") in the United States Bankruptcy Court for the District of Connecticut ("Bankruptcy Court") on December 28, 1992. From that date until November 23, 1994, SC Corporation operated its business as debtor-in-possession, subject to the jurisdiction of the Bankruptcy Court.

SC Corporation's Disclosure Statement with respect to the First Amended and Restated Joint Plan of Reorganization of SC Corporation, Wigs and SC Publishing ("Plan of Reorganization") was approved by the Bankruptcy Court on September 21, 1994. The Plan of Reorganization was subsequently confirmed by the Bankruptcy Court on October 25, 1994, and the reorganization of SC Corporation was consummated on November 23, 1994.

The Plan of Reorganization provided for the payment of cash in settlement of secured, unsecured and administrative claims. The gain on the discharge of pre-petition claims was recorded as an extraordinary item of $12,078,489, net of income taxes. The Company funded the Plan of Reorganization by issuing Common Stock and 13% Preferred Stock, entering into a new senior credit facility ("Senior Indebtedness") and issuing subordinated notes ("Subordinated Indebtedness"). Subsequent to the Plan of Reorganization, certain stockholders, who are also the holders of the subordinated notes, placed such notes into a newly created limited liability company, SC Holdings L.L.C. ("Holdings"). Holdings serves as a guarantor of the Senior Indebtedness. See "Certain Transactions."

Pursuant to the Plan of Reorganization, the Company emerged from bankruptcy in November 1994, subject to one outstanding income and sales tax claim asserted by the Commonwealth of Massachusetts. Massachusetts has claimed a payment due of $61,000 and the Company has fully accrued this amount.

RISK FACTORS

The securities offered hereby are speculative in nature and involve a high degree of risk. Accordingly, in analyzing an investment in these securities, prospective investors should carefully consider, along with the other matters referred to herein, the following risk factors.

SUBSTANTIAL INDEBTEDNESS; PLEDGE OF ASSETS. The Company's Senior Indebtedness consists of a $16.0 million credit facility ($14.0 million term loan and $2.0 million revolving credit line) of which an aggregate of $11.9 million was outstanding on June 29, 1996. In addition, as of July 1, 1995, $4.4 million of principal and accrued interest was outstanding on its Subordinated Indebtedness and, as of August 15, 1996, approximately $495,000 of principal and interest was outstanding on its junior subordinated debt ("Junior Subordinated Indebtedness"). The Company's Senior Indebtedness requires that approximately $3.8 million in interest and principal be paid in 1996, of which $1.7 million has been paid as of June 29, 1996, $825,000 will be paid during the third quarter of 1996 and the balance will be paid in the fourth quarter of 1996. Substantially all of the Company's assets are pledged to secure the Senior Indebtedness, which, among other things, prohibits mergers, sales of assets, payment of dividends and creation of liens, and restricts borrowings and capital expenditures. In the event of a default, Banque Nationale de Paris ("BNP"), the senior lender, could foreclose on its security interest in the Company's assets. Such action would have a material adverse effect on the Company's business. See "Management's Discussion and

Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Notes to Financial Statement."

SUBSTANTIAL PORTION OF PROCEEDS USED TO PAY DEBT; BROAD DISCRETION IN APPLICATION OF REMAINING PROCEEDS. Approximately $5.9 million, or 74.7%, of the net proceeds from this Offering (assuming an initial public offering price of $7.50) will be used to repay part of the Senior Indebtedness. Furthermore, the Company will have broad discretion as to the application of the remaining $2.0 million of proceeds allocated to working capital and general corporate purposes. See "Use of Proceeds."

POSSIBLE INABILITY TO REFINANCE SENIOR INDEBTEDNESS. Following the application of the proceeds of this Offering to repay a portion of the Senior Indebtedness, approximately $5.4 million of the Senior Indebtedness will remain outstanding. As part of its credit agreement with BNP, the Company is obligated to pay an additional fee of $625,000, increasing periodically to $1.0 million on November 22, 1998, upon any future default, prepayment, change in control, or with the final loan payment ("Additional Fee"). BNP has agreed to waive the Additional Fee if the Senior Indebtedness is repaid in full on or before March 31, 1997. The Company intends to refinance the Senior Indebtedness and the Subordinated Indebtedness prior to March 31, 1997. Failure to refinance the Senior Indebtedness by March 31, 1997 will obligate the Company to pay the Additional Fee to BNP, which will have a negative impact on the Company's liquidity and earnings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

WORKING CAPITAL DEFICIT; NEGATIVE NET WORTH; RECENT DECREASE IN NET SALES AND NET INCOME. The Company has had in the past and continues to have a working capital deficit and a negative net worth. As of June 29, 1996 the Company had a working capital deficit of $605,000 and a negative net worth of $4.4 million. Results of operations for the six months ended June 29, 1996 show a decline in net sales and net income versus the prior year. Net sales decreased $3.7 million, or 16.4%, from $22.4 million for the six months ended July 1, 1995 to $18.7 million for the six months ended June 29, 1996. Net income declined by $405,000, or 73.1%, from $555,000 for the six months ended July 1, 1995 to $149,000 for the six months ended June 29, 1996. Although the Company believes that these results are not indicative of the Company's future performance, there can be no assurance that the Company's future results will improve or that the decline in net sales and net income will not be reflective of the future results of the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

EFFECTIVENESS OF CATALOGS AND ADVERTISING. The Company targets potential new customers through its advertising programs and solicits orders from existing customers through catalog marketing campaigns. Catalog marketing campaigns and advertising are working capital intensive and the success of such activities depends, to

a large extent, upon the accuracy of assumptions and judgments made by the Company. The Company must continuously identify new customers with its advertising programs and stimulate new purchases from existing customers with its catalog marketing campaigns in order to be successful. There can be no assurance that such advertising and catalog mailings will result in attracting new customers at the rate required to maintain profitability or continue to produce sales from its existing customers. The failure of such activities to identify new customers or to generate new purchases from existing customers may have a material adverse effect on the Company's business and its results of operations. See "Business--Wigs--Marketing" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

POSTAL RATES, PAPER PRICES AND MEDIA COSTS. Postage, shipping and paper costs are significant expenses in the operation of the Company's business. The Company mails its catalogs and generally ships its products to customers through the U.S. Postal Service and, at the customer's request and expense, ships its products by overnight and second day delivery services. The Company passes on the costs of mailing its products directly to customers as separate shipping and handling charges, but does not directly pass on paper costs and the costs of mailing its catalogs. Effective January 1, 1995, postal rates for mailing the Company's catalogs increased 14.3%. The cost of paper also increased significantly in 1995. Any future increases in postal or shipping rates or paper costs will have an adverse effect on the Company's operating results if the Company is unable to pass on these increases to its customers.

In addition, a rise in media costs could have a material adverse effect on the Company's ability to generate new customers. "See Business--Wigs--Marketing."

LIMITED SOURCES OF FIBER. The majority of the Company's revenues is derived from the sale of wigs. Virtually all of the wigs sold by the Company are made from special synthetic fiber manufactured by only two Japanese companies, Kaneka Corporation and Toyo Chemical Corporation. The wig manufacturers from whom the Company purchases its inventory purchase the fiber from these two fiber manufacturers. Should there be a permanent or long-term disruption in the supply of fiber, the Company believes that the time required to obtain an alternate source and the attendant delay in new production, as well as a possibly significant increase in the price of fiber, may have a material adverse effect on the Company's wig and hairpiece sales and profit margin. See "Business--Wigs--Products."

LIMITED NUMBER OF WIG MANUFACTURERS. The wigs sold by the Company are produced by a limited number of manufacturers. Each of the five largest manufacturers represented between 8% and 25% of the Company's overall wig purchases in the first half of 1996. The loss of one or more of these manufacturers could materially disrupt the Company's wig operations. Although the Company believes that it could find alternative manufacturers for its wigs and is regularly evaluating new manufacturers, there can be no assurance that such manufacturers could be found without considerable disruption to the Company's purchasing cycles, inventory levels, and profit margins. The Company does not currently have, and does not anticipate entering into in the foreseeable future, long-term supply contracts with its manufacturers. See "Business--Wigs--Products" and "Business--Operations--Purchasing."

RISK OF PHYSICAL DISASTER. Substantially all of the Company's telemarketing, customer service and management information systems functions are housed in the Company's main facility in South Easton, Massachusetts. Although the Company has a disaster recovery program and creates a daily back-up tape of customer list and computer information and sends such tapes on a weekly basis for off-site storage, a significant disruption or loss affecting the telephone or computer systems, or any significant damage to the Company's headquarters, could have a material adverse effect on the Company's business. Although the Company maintains $10 million of business interruption insurance, there can be no assurance that a physical disruption to the Company's business or operations would be adequately covered by such insurance. See "Business--Operations."

RISK OF A CURE FOR HAIR LOSS; CANCER TREATMENT IMPROVEMENT. Millions of American women suffer varying degrees of hair loss. These women comprise a significant percentage of the Company's customer base for its wigs and hairpieces. Ongoing research is conducted by numerous groups, both public and private, seeking remedies for hair loss. One drug, Minoxidil (primarily marketed under the name Rogaine(R)), is now available

over the counter and is sold to men and women as a measure against hair loss. There can be no assurance that a new drug will not be developed that could prevent hair loss among women. Such an event could have a material adverse effect on the Company's core wig business. In addition, any new cancer therapies that would eliminate hair loss as a side effect of treatment could have a material adverse effect on the Company's business. See "Business--Wigs--Industry and Market."

DEPENDENCE UPON FOREIGN SUPPLIERS; EXCHANGE RATES; CURRENCY FLUCTUATIONS. All of the wigs purchased by the Company, including those purchased from domestic importers, are manufactured in Asia. The Company expects that it will continue to purchase most of its wig merchandise from foreign suppliers in the future. Accordingly, the Company's operations are subject to the customary risks of doing business abroad, including fluctuations in the value of currencies, export duties, quotas, work stoppages and, in certain parts of the world, political instability and possible governmental intervention. Since the Company pays for its wigs in U.S. dollars, the cost of wigs may be adversely affected by an increase in the relative value of the relevant foreign currencies against the U.S. dollar. Although the Company has not, to date, experienced any significant effect on its business operations associated with such risks, no assurance can be given that such risks will not result in a material effect in the future. See "Business--Wigs--Products."

RELIANCE ON KEY PERSONNEL. The Company's performance is substantially

dependent on the performance of its executive officers and key employees. The loss of the services of any its key employees, particularly Steven L. Bock, its Chairman and Chief Executive Officer, or Stephen M. O'Hara, its President, could have a material adverse effect on the Company's business, financial condition or operating results. The Company has three year employment agreements with Messrs. Bock and O'Hara. The Company currently maintains an $8.5 million key person life insurance policy on Mr. Bock and a $5.5 million key person life insurance policy on Mr. O'Hara, although those amounts may be reduced. See "Business--Employees" and "Management."

PRIOR BANKRUPTCY. SC Corporation was formed in 1989 to effect a leveraged buy-out of four catalog companies, including the Company's present operating subsidiaries, SC Direct and SC Publishing. Mr. Bock was a principal in the original investment group that formed SC Direct in 1989. On December 28, 1992, as a result of its inability to service then existing debt requirements, SC Direct and each of its four subsidiaries filed voluntary petitions for bankruptcy under Chapter 11 of the United States Bankruptcy Code. From that date until November 23, 1994, SC Direct operated its business as debtor-in-possession subject to the jurisdiction of the Bankruptcy Court. Pursuant to the Plan of Reorganization, the Company emerged from the Bankruptcy in November 1994, subject to one outstanding income and sales tax claim asserted by the Commonwealth of Massachusetts. Massachusetts has claimed a payment due of $61,000 and the Company has fully accrued this amount. Messrs. Bock and O'Hara, who currently serve as executive officers of the Company, were, prior to and during the Bankruptcy, executive officers of SC Direct or its predecessors. See "Reorganization."

COMPETITION. The Company encounters competition in all segments of its business. The Company competes directly with other direct mail catalog retailers and numerous other retail sources of products which are the same as, or similar to, those products sold by the Company through its catalogs. Some of the Company's competitors have greater financial and marketing resources than the Company. Potential competition may emerge via new distributions channels such as the Internet and interactive television. See "Business--Competition."

POSSIBLE TERMINATION OF LEASES. The Company leases two buildings in South Easton, Massachusetts. Under the terms of the leases, the landlords and the Company have the right to terminate the leases upon four month's notice. The Company believes that, in the event that either or both landlords give the Company notice, the Company could move to a new facility within four months. Nonetheless, there can be no assurance that the Company will find an appropriate space within four months or that the process of moving and restarting operations in a new site would not have a material adverse effect on the Company's operations. See "Business--Facilities."

UNCERTAINTY AND EXPENSE OF INTELLECTUAL PROPERTY LITIGATION. The Company currently has several registered trademarks and may seek additional legal protection for its products and trade names. Intellectual

property litigation can be expensive and time-consuming. The Company does not currently know of any lawsuit alleging the Company's infringement of intellectual property rights that could have a material adverse effect on the Company's business. There can be no assurance, however, that any such lawsuit will not be filed against the Company in the future or, if such a lawsuit is filed, that the Company would ultimately prevail. See "Legal Proceedings."

CONTINUED CONTROL BY CURRENT MANAGEMENT. Upon completion of this Offering, the Company's directors and executive officers and their affiliates will control approximately 72.4% of the outstanding shares of Common Stock. As a result, current management will be able to elect the entire Board of Directors of the Company, thereby enabling them to control all major decisions of the Company. Furthermore, such concentration of ownership may have the effect of preventing a change in control of the Company. See "Dilution," "Principal Stockholders" and "Description of Securities."

MANAGEMENT OF GROWTH. The Company has experienced significant growth in recent years, and this growth has placed significant demands on the Company's managerial, operational and financial resources. The Company is dependent on its ability to retain and motivate high quality personnel, especially its management, marketing and merchandising executives and other key employees, and the inability of the Company to do so would have a material adverse affect on the Company's business, financial condition and operating results. In

addition, the Company's operations are dependent upon the accuracy, capability and proper utilization of the Company's management information systems, including its computers and telephone systems, which the Company will need to expand and enhance on a regular basis to support its planned growth and to remain competitive. There can be no assurance that if the Company continues to grow, management will be effective in attracting and retaining additional qualified personnel, expanding the Company's physical facilities, integrating acquired businesses or otherwise managing growth. If the Company is unable to manage growth effectively, the Company's business, results of operations and financial condition could be materially adversely affected. See "Business" and "Management."

ABSENCE OF PRIOR PUBLIC MARKET. Prior to this Offering, there has been no public market for the Common Stock of the Company and there can be no assurance that an active trading market for the Common Stock will develop or be sustained after this Offering. The initial public offering price has been determined solely by negotiation between the Company and the Underwriter based on a number of factors and may not be indicative of the market price for the Common Stock after this Offering. The trading price of the Company's Common Stock is expected to be subject to significant fluctuations in response to variations in quarterly operating results, changes in analysts' earnings estimates, general conditions in the wig industry and other factors. In addition, the stock market is subject to price and volume fluctuations that affect the market prices for companies and that are often unrelated to operating performance. See "Distribution" and "Underwriting."

LIMITATION ON USE OF NOL'S. The Company currently has recorded a deferred tax asset reflecting the benefit of approximately $18 million of net operating loss carryforwards ("NOL's") available for federal and state income tax purposes, which expire from 2005 through 2010. The Company believes that the present Offering will result in an "ownership change" under Section 382 of the Internal Revenue Code and, as a result, the Company's ability to use its "pre-change" NOL's will be limited to between $1.5 million and $2.0 million in each fiscal year following this Offering. While realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards, the Company believes it is more likely than not that all of the deferred tax asset will be realized. However, there can be no assurance that the Company will be able to use the NOL's. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

STATE SALES TAX COLLECTION. In 1994, the United State Supreme Court reaffirmed an earlier decision that allowed direct marketers to make sales into states where they do not have a physical presence without collecting sales taxes but noted that Congress has the power to change this law. The imposition of an obligation to collect sales taxes may have a negative effect on the Company's response rates and may require the Company to incur administrative costs in collecting and remitting the sales taxes. The Company believes that Massachusetts is the only jurisdiction where it is currently required to collect sales taxes. See "Business--Government Regulations."

SHARES ELIGIBLE FOR FUTURE SALE. Sales of the Company's Common Stock in the public market after this Offering could adversely affect the market price of the Common Stock. See "Management--1996 Stock Option Plan," and "Description of Securities" and "Shares Eligible for Future Sale."

ANTITAKEOVER MATTERS; POTENTIAL ADVERSE EFFECT OF FUTURE ISSUANCES OF AUTHORIZED PREFERRED STOCK. The Company's Certificate of Incorporation and By-laws contain certain provisions that may delay, defer or prevent a takeover of the Company. The Company's Board of Directors has the authority to issue up to 1,000,000 shares of preferred stock, par value $.01 per share ("Preferred Stock"), and to determine the price, rights, preferences and restrictions, including voting rights, of those shares, without any further vote or action by the stockholders. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue Preferred Stock, with such rates of dividends, redemption provisions, liquidation preferences, voting rights, conversion privileges and other characteristics as the Board of Directors may deem necessary. The rights of holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any Preferred Stock that may be issued in the future. The Company's By-laws include provisions establishing advance notice procedures with respect to stockholder proposals and director nominations and permit special stockholder meetings to be called

only by the Board of Directors or the Chief Executive Officer. In addition, the Company is subject to certain anti-takeover provisions of the Delaware General Corporation Law ("DGCL"). Such provisions could adversely affect the holders of the Common Stock and could discourage, delay or prevent a takeover of the Company. See "Description of Securities."

IMMEDIATE AND SUBSTANTIAL DILUTION. The purchaser of the Common Stock offered hereby will incur immediate and substantial dilution of $6.57 or, 87.6%, representing the difference between the net tangible book value of the Common Stock immediately after this Offering and the assumed initial public offering price of the Common Stock. See "Dilution."

EFFECT OF OUTSTANDING OPTIONS AND WARRANTS. Immediately after this Offering, not including the Underwriter's Purchase Option, there will be outstanding options and warrants to purchase, in the aggregate 1,175,484 shares of Common Stock at per share exercise prices ranging from $0.31 to the initial public offering price. These options and warrants consist of: (i) options to purchase 252,150 shares of common stock at the initial public offering price granted under the Plan, 10,000 of which are currently exercisable; (ii) Officers' Options to purchase 657,999 shares of Common Stock, consisting of options to purchase 582,999 shares at $0.31 per share, of which options to purchase 528,444 shares are currently exercisable, and options to purchase 75,000 shares at $5.33 per share, none of which are currently exercisable; and (iii) Warrants to purchase 265,335 shares at $1.88, all of which are currently exercisable. The exercise of the foregoing options and warrants and the Underwriter's Purchase Option will dilute the percentage ownership of the Company's stockholders and any sales in the public market of shares of Common Stock underlying such securities may adversely affect the prevailing market price for the Common Stock. Moreover, the terms upon which the Company will be able to obtain additional equity capital may be adversely affected since the holders of the outstanding securities will, to the extent they are able, likely exercise them at a time when the Company could, in all likelihood, obtain any needed capital on terms more favorable to the Company than those provided in the options and the warrants. See "Dilution."

NO DIVIDENDS. The Company has never paid cash dividends on the Common Stock. The Company intends to retain any future earnings to finance its growth. Accordingly, any potential investor who anticipates the need for current dividends from an investment in the Common Stock should not purchase any of the shares of Common Stock offered hereby. The Company's Senior Indebtedness contains, and the Company anticipates that any future credit facility or other indebtedness that the Company may enter into or incur would contain, a prohibition against the payment of cash dividends and certain restrictions on the payment of non-cash dividends. See "Dividend Policy."

USE OF PROCEEDS

The net proceeds to the Company from the sale of Common Stock offered hereby, assuming an initial public offering price of $7.50 per share, are estimated to be $7,900,000, or $9,159,000 if the Underwriter's over-allotment option is exercised in full, after deducting the estimated underwriting discounts and offering expenses payable by the Company. Of this amount, $5.9 million, or 74.7% of the net proceeds, will be used to repay a portion of the Senior Indebtedness, including (i) $1.5 million to pay down the outstanding amount under the revolving credit portion of the Senior Indebtedness; (ii) $1.8 million of the Senior Indebtedness which is due within one year of the date hereof; and (iii) $2.6 million of the Senior Indebtedness which is due more than one year following the date hereof. The Company's Senior Indebtedness consists of a $14.0 million term loan which bears interest at 3.5% above certain LIBOR rates and matures on May 22, 1999; and a $2.0 million revolving credit facility, which bears interest at 2% over the prime rate and matures on May 22, 1999. An aggregate of $11.9 million was outstanding under the Senior Indebtedness on June 29, 1996.

The remainder of the net proceeds of this Offering, estimated to be approximately $2.0 million, or 25.3% of the net proceeds ($3.3 million, or 35.6% of the net proceeds, if the Underwriter's over-allotment option is exercised in full), will be used for general corporate purposes, including capital expenditures and working capital.

The Company plans to use its available working capital, including cash flow from operations and net proceeds of this Offering allocated to working capital, to: (i) advertise, produce and mail catalogs and (ii) increase direct

purchasing of wigs and hairpieces. Depending on the Company's business needs and cash flow, additional amounts of the Company's remaining Senior Indebtedness may be repaid from the net proceeds of this Offering allocated to working capital. In addition, if a suitable opportunity arises, the Company may also use a portion of the net proceeds of this Offering allocated to working capital as part of the financing for an acquisition. The Company has no agreement or understanding, nor is it engaged in any negotiations, with respect to any acquisition.

The Company anticipates, based on current plans and assumptions relating to its operations, that the proceeds of this Offering, together with existing resources and cash generated from operations, should be sufficient to satisfy the Company's anticipated cash requirements for at least 12 months after completion of this Offering. After that time, the Company believes that income from operations should satisfy the Company's working capital needs; however, there can be no assurance that this will be the case. Net proceeds not immediately required for the purposes described above will be invested in United States government securities, short-term certificates of deposit, money market funds or other short-term interest-bearing government obligations.

The allocation of the net proceeds of this Offering represents the Company's best estimate based upon its current plans and certain assumptions regarding industry and general economic conditions and the Company's future revenues and expenditures. If any of these factors change, the Company may find it necessary or advisable to reallocate some of the proceeds within the above described categories or may be required to seek additional financing. There can be no assurance that additional financing will be available to the Company on acceptable terms, or at all. Any failure to obtain additional financing, if required, could have a material adverse effect on the Company.

CAPITALIZATION

The following table sets forth the actual capitalization of the Company as of June 29, 1996. The pro forma gives effect to the Junior Subordinated Indebtedness the issuance of the Warrants, the irrevocable waiver of accrued dividends on the 13% Preferred Stock in August 1996, the Preferred Conversion, and the grant of Options to purchase 75,000 shares of Common Stock at an exercise price of $5.33 per share to Steven L. Bock, the Company's Chairman and Chief Executive Officer. The pro forma as adjusted gives effect to all of the above, plus the sale by the Company of 1,250,000 shares of Common Stock offered hereby at an estimated initial public offering price of $7.50 per share and the application of the estimated net proceeds therefrom as described in "Use of Proceeds." This table should be read in conjunction with the financial statements of the Company, including the notes thereto, appearing elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	AS OF JUNE 29, 1996		
	ACTUAL	PRO FORMA(1)	PRO FORMA, AS ADJUSTED(2)
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Short-term debt:			
Current portion of long-term debt.....	$ 2,950	$ 2,950	$ 1,352
Revolving portion of line of credit.....	1,450	1,450	--
Long-term debt:			
Non-current portion of long-term debt.....	7,450	7,450	4,598
Subordinated notes (1).....	4,363	4,744	4,744
Accrued dividends.....	511	--	--
Stockholders' equity:			
Preferred Stock, $1.00 par value; 1,000,000 shares authorized, 22,491 shares issued and outstanding (2).....	2,249	--	--
Common Stock, $.01 par value; 10,000,000 shares authorized, 2,826,666 shares issued and outstanding at June 29, 1996, 3,201,666 outstanding on a pro forma basis and 4,451,666 outstanding as adjusted.....	28	32	45
Additional paid-in capital.....	4,496	7,534	15,421

Note from stockholder	(140)	(140)	(140)
Deferred compensation	--	(162)	(162)
Accumulated deficit	(11,046)	(11,046)	(11,046)
Total stockholders' equity	(4,413)	(3,782)	4,118
Total capitalization	$ 12,311	$ 12,812	$ 14,812

</TABLE>

DIVIDEND POLICY

The Company has never declared or paid cash or other dividends on its Common Stock and it is currently the intention of the Company not to declare or pay cash dividends on its shares of Common Stock. The payment of cash dividends in the future will depend on the Company's earnings, financial condition, capital needs and other factors deemed relevant by the Board, including statutory restrictions on the availability of capital for the payment of dividends, the rights of holders of any series of Preferred Stock that may hereafter be issued and the limitations, if any, on the payment of dividends under any then-existing credit facility or other indebtedness. The Company's Senior Indebtedness contains, and the Company anticipates that any future credit facility or other indebtedness that the Company may enter into or incur would contain, a prohibition against the payment of cash dividends and restrictions on the payment of non-cash dividends. It is the current intention of the Board to retain earnings, if any, to finance the operations and expansion of the Company's business.

DILUTION

The difference between the initial public offering price per share of Common Stock and the pro forma net tangible book value per share of Common Stock after this Offering constitutes the dilution per share of Common Stock to investors in this Offering. Net tangible book value per share is determined by dividing the net tangible book value (total tangible assets less total liabilities) by the number of outstanding shares of Common Stock.

At June 29, 1996, the Company had a negative net tangible book value of $3,782,166, or approximately negative $1.18 per share of Common Stock. After giving effect to the sale of Common Stock offered hereby (assuming a price of $7.50 per share less underwriting discounts and estimated expenses of this Offering), the net tangible book value of the Company will be $4,117,868, or approximately $.93 per share. This represents an immediate increase in net tangible book value of $2.11 per share to the existing stockholders, and an immediate dilution of approximately $6.57 per share to investors in this Offering (or approximately 87.6% of the initial public offering price).

The following table illustrates the per share dilution without giving effect to results of operations of the Company subsequent to June 29, 1996.

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price		$7.50
Net tangible book value per share before Offering	$(1.18)	
Increase in net tangible book value per share attributable to new investors	2.11	
Net tangible book value per share adjusted after Offering		.93
Dilution to new investors		$6.57

</TABLE>

The following table summarizes the number and percentage of shares of Common Stock purchased from the Company, the amount and percentage of consideration paid and the average price per share paid by the existing stockholders and by new investors pursuant to this Offering:

<TABLE>
<CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER
	NUMBER	PERCENT	AMOUNT	PERCENT	SHARE

<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	3,201,666	71.9%	$ 7,566,000	44.7%	$2.36
New investors.....	1,250,000	28.1	9,375,000	55.3	$7.50
Total.....	4,451,666	100.0%	$16,941,000	100.0%	

</TABLE>

SELECTED FINANCIAL AND OPERATING DATA

The selected financial data presented below, except for the selected operating data, as of and for the fiscal years ended January 1, 1994, December 31, 1994 and December 30, 1995 is derived from the audited financial statements of the Company included herein. The financial data for fiscal years ended December 28, 1991 and January 2, 1995 and the financial data for the six months ended July 1, 1995 and June 29, 1996, except for the selected operating data, are derived from the unaudited financial statements of the Company. In the opinion of management, the summary financial data presented below as of and for the six months ended July 1, 1995 and June 29, 1996, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods. The six month results are not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements of the Company, including the notes thereto, appearing elsewhere herein.

<TABLE>
<CAPTION>

	HISTORICAL							PRO FORMA, AS ADJUSTED(7)	
	FISCAL YEAR ENDED					SIX MONTHS ENDED		YEAR ENDED	SIX MONTHS ENDED
	DEC. 28, 1991	JAN. 2, 1993	JAN. 1, 1994	DEC. 31, 1994	DEC. 30, 1995	JULY 1, 1995	JUNE 29, 1996	DEC. 30, 1995	JUNE 29, 1996
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND AVERAGE ORDER SIZE)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:									
Net sales (1).....	$ 30,817	$ 32,430	$ 33,801	$38,179	$42,568	$22,419	$18,754	$42,568	$18,754
Cost of sales(1).....	13,608	14,367	13,868	15,648	16,423	8,859	7,003	16,423	7,003
Gross profit(1).....	17,209	18,063	19,933	22,531	26,145	13,560	11,751	26,145	11,751
Selling, general and administrative(1).....	19,843	16,939	16,768	17,772	22,835	11,156	10,591	22,835	10,591
Restructuring charges...	--	--	--	--	513	513	--	513	--
Income (loss) from operations.....	(2,634)	1,124	3,165	4,759	2,797	1,891	1,160	2,797	1,160
Interest expense, net...	3,242	3,080	431	661	1,918	958	909	1,343	623
Reorganization items....	--	--	1,038	2,890	--	--	--	--	--
Income (loss) before income taxes, cumulative effect of change in accounting principle and extraordinary item.....	(5,876)	(1,956)	1,696	1,208	879	933	251	1,454	537
Income taxes.....	(21)	180	704	498	357	379	102	582	215
Income (loss) before cumulative effect of change in accounting principle and extraordinary item.....	$ (5,897)	$ (2,136)	$ 992	$ 710	$ 522	$ 554	$ 149	$ 872	$ 322
Net income (loss)(3)....	$ (5,897)	$ (2,136)	$ 9,977	$12,789	$ 522	$ 554	$ 149	$ 872	$ 322
EARNINGS (LOSS) PER									

COMMON SHARE:									
Income (loss) before extraordinary items and cumulative effect of accounting changes.....	$ (2.09)	$ (0.76)	$ 0.33	$ 0.22	$ 0.08	$ 0.13	$ 0.00	$ 0.17	$ 0.06
Net Income (loss)(3)....	$ (2.09)	$ (0.76)	$ 3.30	$ 4.22	$ 0.08	$ 0.13	$ 0.00	$ 0.17	$ 0.06
BALANCE SHEET DATA:									
Working capital.....	$ (3,480)	$ (30)	$ (157)	$ 2,114	$ 649	$ 2,248	$ (185)		$ 1,895
Total assets.....	10,756	6,150	19,142	17,364	18,170	18,756	17,777		20,697
Long-term debt(4).....	28,461	31,621	30,125	15,180	12,876	14,836	11,813		9,343
Preferred Stock.....	--	--	--	2,249	2,249	2,249	2,249		--
Stockholders' equity (deficit).....	$(28,222)	$(30,358)	$(20,381)	$(4,654)	$(4,416)	$(4,245)	$(4,413)		$ 4,118
OTHER FINANCIAL & OPERATING DATA:									
EBITDA(5).....	$ (34)	$ 3,122	$ 3,942	$ 5,508	$ 3,559	$ 2,009	$ 1,302		
Total catalog circulation(6).....	17,122	17,562	18,807	22,623	29,342	15,337	12,882		
Active customer file....	762	890	941	1,094	1,096	1,254	1,222		
Average order size.....	$ 56.17	$ 57.98	$ 60.82	$ 60.27	$ 61.05	$ 60.05	$ 62.85		

</TABLE>

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(1) For comparative purposes, certain subsidiaries that were sold at the end of 1992 are not included in net sales, cost of sales and gross profit for 1991 and 1992. The combined gross profits of these certain subsidiaries of $7,643,832 in 1991 and $7,513,099 in 1992 are netted against their related expenses in selling general & administrative.

(2) Net income reflects for the fiscal year ended January 1, 1994, a gain of $8,985,122 from the cumulative effect of change in accounting for income taxes, and for the fiscal year ended December 31, 1994, a gain from extraordinary item of $12,078,489 resulting from the forgiveness of debt upon the Company's emergence from the Bankruptcy. See financial statements and the notes thereto.

(3) Earnings per share for each fiscal year of the Company is computed by dividing net income after preferred dividends for such fiscal year by the weighted average number of shares of Common Stock and common stock equivalents outstanding during such fiscal year. See the financial statements and the notes thereto.

(4) Long-term debt reflects for fiscal years ended January 2, 1993 and January 1, 1994 amounts subject to settlement under reorganization proceeding.

(5) "EBITDA" is defined as operating income (loss) before depreciation and amortization expense and, in 1995, restructuring costs relating to the move of SC Publishing. While EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles, or as a measure of profitability or liquidity, management understands that it is widely used by certain investors as one measure to evaluate the financial performance of companies in the direct marketing industry.

(6) Reflects the number of customers who are being mailed catalogs at the end of each period.

(7) Adjusted to reflect as of January 1, 1995: (i) the sale of 878,957 shares by the Company in this Offering at an estimated initial public offering price of $7.50 per share less the Underwriters discount; (ii) the application of the estimated net proceeds therefrom to repay $5.9 of Senior Indebtedness as described in "Use of Proceeds;" and (iii) the issuance of the Warrants (as defined below).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, "1995" means the Company's fiscal year ended December 30, 1995, "1994" means the Company's fiscal year ended December 31, 1994, "1993" means the Company's fiscal year ended January 1, 1994 and "1992" means the Company's fiscal year ended January 2, 1993. The discussion and analysis below should be read in conjunction with the Financial Statements of the Company and the Notes to Financial Statements included elsewhere in this Prospectus. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations

contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

The Company is a direct marketer targeting niche consumer product categories. SC Direct, its principal operating subsidiary, is the leading U.S. retailer of women's wigs and hairpieces. SC Publishing, a subsidiary of SC Direct, sells continuing education courses to nurses, real estate professionals and Certified Public Accountants.

In 1995, SC Direct's sales of women's wigs, hairpieces, accessories and hats represented 87.6% of the Company's net sales. Since 1992, SC Direct's sales have grown through: (i) expansion of its core Paula Young wig business; (ii) introduction in 1993 of the upscale Christine Jordan wig catalog; (iii) introduction in 1994 of the Especially Yours catalog, serving African American women; and (iv) introduction in 1995 of the Paula's Hatbox catalog. In addition, in 1995 the Company began selling directly to consumers in Canada.

The balance of the Company's sales come from SC Publishing's catalogs, which sell continuing education courses to nurses, real estate agents and CPA's. SC Publishing's sales have been between $4.0 million and $5.3 million over the past 5 years. In July 1995, the Company moved SC Publishing from San Diego, California to the Company's South Easton, Massachusetts facilities. The Company encountered difficulties in integrating SC Publishing into its operations in South Easton, resulting in disruptions to SC Publishing's operations and a reduction in its 1995 operating profitability.

As a direct marketer, an important goal of the Company is to expand the size and prevent the "aging" of, and maximize sales to, its customer file. To acquire new customers and prevent the "aging" of its customer file, the Company must continually expend working capital to maintain its advertising program and convert the recipients of its catalogs into customers. In addition, to retain and sell more to existing customers, the Company must expend working capital for additional catalog mailings to these customers. Reductions in advertising lead to declines in new customer prospects and, therefore, new customers. In addition, the Company experiences a time lag between advertising expenditures to gain new customer prospects and the receipt of revenues generated by new customers.

As is typical in the catalog industry, the Company's business is also affected by increases in paper, postage, print and other catalog production costs. During a period of rising postage and paper costs, such as 1995, the catalog industry faced substantial pressure on operating profits. The Company believes that its niche focus allows it to target its mailings, thereby reducing its exposure to increases in paper, postage and other catalog production costs.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 29, 1996 COMPARED TO SIX MONTHS ENDED JULY 1, 1995.

Net sales decreased $3.6 million, or 16.1%, from $22.4 million for the six months ended July 1, 1995 to $18.8 million for the six months ended June 29, 1996. This decline is primarily attributable to a decline in

SC Direct's net sales to new customers which resulted from the Company's decision to conserve working capital by limiting its advertising expenditures during the second half of 1995 and first half of 1996. In addition, SC Publishing had a net sales decline of approximately $700,000 due to a decision to mail fewer prospecting catalogs.

Gross margins increased from 60.5% in the six months ended July 1, 1995 to 62.7% in the six months ended June 29, 1996 primarily due to lower product costs. The Company has been able to reduce its costs of goods sold by purchasing a greater percentage of wigs directly from overseas manufacturers rather than from importers. In the six months ended June 29, 1996, the Company purchased 55.1% of its wigs directly from manufacturers compared to 30.7% in the six months ended July 1, 1995.

Selling, general administrative ("SG&A") expenses declined $600,000, or

5.4%, from $11.2 million in the six months ended July 1, 1995 to $10.6 million in the six months ended June 29, 1996, as 2.5 million fewer catalogs were circulated and advertising expenditures decreased by $1.3 million from the year ago period. However, this decline was significantly offset by higher market rates for postage and paper.

Net interest expense declined 5.1% from $958,000 in the six months ended July 1, 1995 to $909,000 in the six months ended June 29, 1996, reflecting lower interest rates and lower principal amounts outstanding on the Senior Indebtedness.

1995 COMPARED TO 1994.

Net sales increased $4.4 million, or 11.5%, from $38.2 million in 1994 to $42.6 million in 1995. These gains were primarily due to an increase in sales to the Company's existing customer base, additional sales from new catalogs and initiation of direct marketing efforts in Canada. Offsetting these gains was a decline in new customer sales as higher media costs reduced advertising reach.

Gross profit increased $3.6 million from $22.5 million in 1994 to $26.1 million in 1995, an increase in percentage of net sales from 59.0% in 1994 to 61.4% in 1995. An increase in the direct purchasing of wigs accounted for the majority of the improvement in gross profit margins.

1995 SG&A expenses increased by $5.0 million, or 28.1%, from $17.8 million in 1994 to $22.8 million in 1995. SG&A as a percentage of sales increased from 46.6% in 1994 to 53.6% in 1995, primarily as a result of sharp increases in paper, postage and media costs. SG&A expenses did not include $512,000 of restructuring expense relating to the relocation of SC Publishing's operations to the Company's headquarters in Massachusetts.

Net interest expense increased from $661,000 in 1994 to $1.9 million in 1995, reflecting a full year of debt servicing costs on the Senior and Subordinated Indebtedness incurred as part of the Company's reorganization in November 1994.

1994 COMPARED TO 1993.

Net sales increased $4.4 million, or 13.0%, from $33.8 million in 1993 to $38.2 million in 1994. This increase reflects the addition of new customers as a result of a substantial increase in advertising levels late in 1993 and early 1994 and an increase in sales from existing customers.

The Company's gross margin remained constant at 59.0% in 1993 and in 1994, although gross profit increased $2.6 million as a result of the increase in sales. Although the Company had a gain in margin due to an increase in the direct purchasing of wigs, this gain was offset by a decline in SC Publishing's gross margin due to a change in sales mix and lower prices.

SG&A expenses increased $1.0 million, or 6.0%, from $16.8 million in 1993 to $17.8 million in 1994. SG&A as a percentage of sales declined from 49.6% in 1993 to 46.5% in 1994. This resulted primarily from lower media and paper costs.

Net interest expense increased $230,000, or 53.4%, from $431,000 in 1993 to $661,000 in 1994 as a result of the interest expense incurred during the last six weeks of 1994 on the Senior Indebtedness and Subordinated Indebtedness incurred to finance the Company's Plan of Reorganization.

Reorganization expense increased from $1.0 million in 1993 to $2.9 million in 1994, reflecting the use of additional legal, accounting and other professional services needed to emerge from Chapter 11 and an additional compensation expense of $533,000. An extraordinary gain of $12.1 million was recognized in 1994, reflecting the forgiveness of debt upon the execution of the Plan of Reorganization on November 23, 1994.

1993 COMPARED TO 1992.

Net sales increased $1.3 million, or 4.2%, from $32.5 million in 1992 to $33.8 million in 1993 due to an increase in sales to existing Paula Young customers as a result of improved catalog circulation offset by a decline in new customer sales due to lower response to advertising.

Gross margin increased from 55.7% in 1992 to 59.0% in 1993 as a result of the start of SC Direct's direct purchasing program, together with a significant shift to lower cost importers for a substantial portion of its wig purchases. SC Publishing's gross margins declined slightly as lower margin CPA sales increased as a percentage of total SC Publishing sales.

SG&A expenses increased $500,000, or 3.1%, from $16.3 million in 1992 to $16.8 million in 1993. This increase was due to an increase in advertising and catalog production expense, plus an increase in fixed costs due to additional personnel in the finance area to help in the bankruptcy proceedings.

Net interest expense decreased from $3.1 million in 1992 to $431,000 in 1993 as a result of no interest being accrued on $26.3 million of pre-bankruptcy debt during 1993.

LIQUIDITY AND CAPITAL RESOURCES

The Company expends significant amounts of working capital for advertising, inventory and catalog production costs in advance of the revenues generated by these items. The Company has met its working capital needs primarily through funds generated from operations and short-term bank financing. Because of the need to amortize the Senior Indebtedness, there have been limited funds available to expand the business.

The Company's Senior Indebtedness consists of a $16 million credit facility ($14 million term loan and $2 million revolving credit line), of which an aggregate of $11.9 million was outstanding on June 30, 1996. The term loan portion of the Senior Indebtedness is payable in installments, with the final installment due on May 22, 1999, and bears interest at 3.5% above certain LIBOR rates or, at the Company's option, at 2% over the prime rate. The revolving portion is due on the maturity of the term loan and bears interest at 2% over the prime rate. $5.9 million of the proceeds of this Offering are being used to repay the Senior Indebtedness, including (i) $1.5 million to pay down the outstanding amount under the revolving credit portion of the Senior Indebtedness; (ii) $1.8 million of the Senior Indebtedness which is due within one year of the date hereof; and (iii) $2.6 million of the Senior Indebtedness which is due more than one year following the date hereof. The Company will be able to reborrow under the revolving credit line following this Offering.

In addition to principal and interest due under the Senior Indebtedness, the Company is obligated to pay the Additional Fee to BNP in the event of any future default, prepayment or change in control, or upon the final principal payment in May 1999. The Additional Fee is currently $625,000 and will rise to $1.0 million over the term of the Senior Indebtedness. On August 14, 1996, the Company entered into a Second Amendment, Waiver and Consent ("Second Amendment") with BNP. Pursuant to the Second Amendment, BNP consented to this Offering and the Use of Proceeds of this Offering, amended certain financial covenants, and agreed to waive the Additional Fee provided that BNP's Senior Indebtedness is repaid in full on or prior to March 31, 1997. For a more complete description of the Company's credit facilities see "Use of Proceeds" and note 5 to the financial statements.

Pursuant to the Plan of Reorganization, certain of the Company's current stockholders purchased $3.6 million of Subordinated Indebtedness. The principal of the Subordinated Indebtedness is due December 1, 2002, subject to a subordination agreement with BNP. The Subordinated Indebtedness bears interest at 11.5%, payable semi-annually on June 1 and December 1; and the Company may, at its option through November 22, 1999, and, under certain conditions, through November 22, 2002, pay interest on the Subordinated Indebtedness with additional notes containing identical terms and conditions as the Subordinated Indebtedness. As of June 30, 1995, approximately $4.4 million, including accrued interest, was outstanding under the Senior Indebtedness.

The Company has high amortization payments under the Senior Indebtedness. The Company had little cash on hand at the end of any year, except 1993 when it was in bankruptcy. Cash generated from operations plus $1.5 million of borrowings under the revolving credit line have been used for working capital and to pay principal and interest on the Senior Indebtedness. The term loan portion of the Senior Indebtedness has been reduced from the original $14.0 million outstanding when the loan was obtained in November 1994 to $10.4

million at the end of June 1996. Capital expenditures average under $400,000 per year.

Due to its working capital constraints, on June 1, 1996 the Company entered into an agreement with a director, Martin Franklin, and two associates of Mr. Franklin, pursuant to which Mr. Franklin and such associates loaned $495,000 to the Company. This loan was made on August 9, 1996, bears interest at 11.5%, and is due August 9, 1999, provided that this loan will not be repaid prior to the repayment of the Subordinated Indebtedness. In addition, in connection with such loan Mr. Franklin and his associates purchased for $5,000 a warrant to acquire an aggregate of 265,335 shares of the Company's Common Stock at an aggregate exercise price of $500,000. See "Certain Transactions" and Note 13 to the Financial Statements.

The Company anticipates that following this Offering and the application of the proceeds to repay a portion of the Senior Indebtedness, there will be approximately $5.4 million of Senior Indebtedness outstanding. The Company plans to refinance the remaining Senior Indebtedness and the Subordinated Indebtedness after this Offering. Should the Company be unable to secure a lender to refinance both the Senior and Subordinated Indebtedness, the Company will attempt to refinance only the Senior Indebtedness. The Company anticipates, based on current plans and assumptions relating to its operations, that the proceeds of this Offering, together with existing resources and cash generated from operations, should be sufficient to satisfy the Company's anticipated cash requirements for at least 12 months after completion of this Offering. After that time, the Company believes that income from operations should satisfy the Company's working capital needs; however, there can be no assurance that this will be the case.

The Company currently has recorded a deferred tax asset reflecting the benefit of approximately $18 million of NOL's available for federal and state income tax purposes, which expire from 2005 through 2010. The Company believes that the present Offering will result in an "ownership change" under Section 382 of the Internal Revenue Code and, as a result, the Company's ability to use its "pre-change" NOL's will be limited to between $1.5 million and $2.0 million in each fiscal year following this Offering. While realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards, the Company believes it is more likely than not that all of the deferred tax asset will be realized. However, there can be no assurance that the Company will be able to use the NOL's.

SEASONALITY AND INFLATION

The Company's sales have been generally non-seasonal. The need-based profile of the Company's wig and continuing education customers serves to minimize seasonality, as opposed to the traditional seasonality of want-based consumption.

The impact of inflation on the Company's operations has not been significant to date. However, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on the Company's operating results.

BUSINESS

GENERAL

The Company is a direct marketer targeting niche consumer product categories. SC Direct, its principal operating subsidiary, is the leading U.S. retailer of women's wigs and hairpieces. SC Publishing, a subsidiary of SC Direct, sells continuing education courses to nurses, real estate professionals and CPA's.

SC Direct sells wigs and hairpieces primarily to women over the age of 50, using three distinct catalogs: Paula Young, Christine Jordan and Especially Yours. In 1995, SC Direct mailed 20.9 million catalogs, generating net sales of $37.3 million. SC Direct has developed a proprietary data base consisting of approximately 5.6 million persons, including more than 875,000 active customers and more than one million active inquirers. Due to the fact that wig

wearers are difficult to find, the Company believes that its wig database is unique and would be very expensive to replicate. The Company believes that this poses a substantial barrier to entry for any potential competitor.

Women over age 50, SC Direct's target market, is projected by the U.S. Census Bureau to grow from 38.7 million women, or 38% of the total female population in 1995, to 51.5 million women, or 45% of the total female population in 2010. This growth is driven primarily by aging "baby-boomers." The Company believes that only approximately five million, or 25%, of the 20 million American women with thinning hair currently wear wigs, and that, accordingly, there is substantial opportunity for future growth of SC Direct's business.

SC Direct's strategy for its core business is to exploit new distribution opportunities for wigs and hairpieces and to sell additional products to its customers. For example, in the last three years, SC Direct has introduced its upscale Christine Jordan catalog and its Especially Yours catalog for African-American customers, expanded into international markets and begun a test program selling to hair salons.

In 1995, SC Direct launched its Paula's Hatbox catalog through which it sells a variety of fashion hats to women. The Company believes that the market for fashion hats has niche characteristics similar to those of the wig market. In addition, SC Direct intends to begin test marketing men's wigs in the Paula Young catalog in early 1997.

SC Publishing offers nurses, real estate agents and CPA's home study continuing education through the Western Schools catalogs. SC Publishing's strategy is to build its business by offering additional products and programs to its core customers and by expanding into new and related professional fields. In 1995, SC Publishing mailed 8.4 million catalogs, generating net sales of $5.3 million.

The Company intends to build its business in existing niche markets and enter new niche markets both by internal expansion and through acquisitions. Niche markets are characterized by smaller market size, unique or hard to find products, or hard to locate customers. In executing its plans, the Company will seek to do the following:

- REFINE MARKETING PROGRAMS. The Company continually seeks to refine its marketing programs, including the two-step marketing program which it utilizes to identify hard to locate customers in niche markets. The Company constantly seeks to develop new and improved marketing techniques to increase catalog requests, convert catalog requests into orders and increase sales to existing customers.

- OFFER BROAD PRODUCT SELECTION AT ATTRACTIVE PRICING. The Company believes that it differentiates itself from both traditional store-front retailers and other direct marketers by offering a broad and deep selection of the products it offers. By virtue of its large order volume and direct purchasing from wig manufacturers, the Company is able to offer wigs at prices lower than most hair salons and wig shops.

- MAINTAIN CLOSE SUPPLIER RELATIONSHIPS. The Company maintains close relationships with many of the leading wig manufacturers. Through these relationships, the Company is able to obtain better control over purchasing, styles, quality and cost.

- CONTINUE TO PROVIDE SUPERIOR CUSTOMER SERVICE. By emphasizing the training of marketing representatives, the Company seeks to maintain high levels of customer satisfaction. The Company seeks to provide prompt, courteous and knowledgeable service to its customers in order to build customer loyalty and demonstrate to the customer the convenience of catalog shopping.

- ACHIEVE ECONOMIES OF SCALE AND EFFICIENCIES. The Company believes if it is able to achieve its growth objectives it will be able to reduce its fixed and other costs as a percentage of sales as it achieves additional operating economies of scale and efficiencies.

- DEVELOP NEW PRODUCTS AND ENTER NEW MARKETS. The Company intends to add new product lines through new or expanded catalogs. To that end, the

Company carefully monitors the wig, hat and continuing education markets to identify unfulfilled consumer demand. By developing and offering new products to meet that demand, the Company creates additional sales opportunities and reinforces customer loyalty to the Company's catalogs. The Company is seeking to add complementary products to its existing product lines that would appeal to its current customer base. The Company is also looking for new markets to enter, either through internal development or acquisitions.

WIGS

INDUSTRY AND MARKET

Based on U.S. Census Bureau import data, approximately five million wigs are sold annually in the United States. The wig market is comprised of fashion wig wearers and need-based wig wearers. Need-based wig wearers purchase wigs as an everyday necessity due to a physical problem such as naturally thinning hair or total hair loss, as well as temporary hair loss due to medical procedures and conditions (i.e., cancer treatments). Many everyday wig wearers prefer to replace their wigs every three to four months, and have a wig "wardrobe," consisting of several wigs of different styles and colors.

In the 1960's wigs and related products were broadly viewed as a fashion accessory, but as styles changed the fashion-driven demand for wigs decreased. Because of this trend, during the 1970's and 1980's the number of specialty wig boutiques declined and department stores reduced their selling space and inventories of wigs. The Company recognized that a base of dedicated, need-based wig customers existed which was no longer being adequately serviced by the remaining retail alternatives. Therefore, the Company launched its catalog business to service this market.

The retail wig market is serviced by direct mail catalogers and retail markets, including beauty salons, department stores and wig shops. Catalog retailers represent 40% of the current market and offer the benefits of privacy, convenience, lower prices and broad product selection. Retail stores provide customers with more personalized service and allow customers to try on the product, however, they charge higher prices and offer less convenience, privacy and selection than catalog retailers. The retail market is highly fragmented and the Company is unaware of any major retail store that has greater than 1% of the market.

The Company believes it has advantages over its two principal mail order competitors, General Wig Company (a subsidiary of Revlon, Inc.), which markets wigs through the Beauty Trends catalog, and Vincent James Company, which markets wigs through the TWC Catalog. The Company believes that these advantages include economies of scale, the size of its customer list, and the extent of its advertising program. The Company estimates that all other wig catalog retailers represent less than 5% of the market.

The African-American wig market, unlike the Caucasian market, has yet to undergo the transition to direct marketing from retail outlets. Currently, only about 5% of African-American wigs are sold through catalogs, with

the balance sold in beauty salons, department stores and wig shops. As a result, there are no significant catalog competitors. The Company is aware of only three other mail order catalogs targeting the African-American market--Black is Beautiful, Naomi Simms and Gold Medal. The Company believes that Especially Yours' sales in 1995 exceeded the sales of each of the other African-American catalogs.

Millions of American women suffer varying degrees of hair loss. These women comprise a significant percentage of the Company's customer base for its wigs and hairpieces. Ongoing research is conducted by numerous groups, both public and private, seeking remedies for hair loss. One drug, Minoxidil (primarily marketed under the name Rogaine(R)) is available over-the-counter and is sold to men and women as a measure against hair loss. There can be no assurance that a new drug will not be developed that could prevent hair loss among women. Such an event could have a material adverse effect on the Company's core wig business. In addition, any new cancer therapies that would eliminate hair loss as a side effect of treatment could have a material adverse effect on the Company's business.

PRODUCTS

The Company sells a full range of wigs and hairpieces in five separate product lines. Hairpieces include wiglets and add-ons or extensions. Wiglets are small wigs generally worn on the top of the head to add style or cover thinning hair on the top or crown area. Add-ons or extensions are usually added for style reasons, generally to the back of the head. The Company offers about 45 different wig styles per catalog in over 25 colors, including browns, blondes, grays and reds. Most wigs are available in one or two sizes, except for wigs in the Christine Jordan line which offers all styles in five sizes.

All of the Company's wigs, as well as the majority of all wigs sold in the U.S., are manufactured in small, privately-owned factories in Korea, Indonesia and China that manufacture wigs to the specifications and designs of their customers. The Company believes that there is adequate supply to meet the demand, and the Company is not solely dependent on any one manufacturer for its wig supply. All wigs and hairpieces sold by the Company are made of synthetic fibers. The wig market is dominated by synthetic fiber wigs. Synthetic fiber has several advantages over human hair, including lower cost, permanent styling, truer colors and cleanliness.

Wigs are manufactured out of a special modacrylic fiber, the market for which is dominated by two Japanese firms, Kaneka Corporation and Toyo Chemical Corporation. Modacrylic fiber is not a proprietary material, and other manufacturers in the past have produced this material. Although the Company believes that in the event of a disruption in the supply of fiber, alternative sources could be found, such a transition to new fiber suppliers could interrupt or delay wig factory production schedules potentially causing a material adverse affect on the Company's business.

The manufacture of a wig begins with the blending of the fibers for color and the cutting of the fiber to proper length. The fibers are then sewn to a cotton or lace wefting, after which the predetermined curl pattern is baked in. The wefting is then sewn together into the final pattern and styled.

During the first half of 1996, the Company purchased approximately 55% of its wigs and hairpieces directly from foreign manufacturers and the balance from four U.S. importers. Each of the Company's five largest manufacturers represented between 8% and 25% of its overall wig purchases in the first half of 1996. The Company is increasing the percentage of wigs purchased directly from manufacturers because direct purchasing permits better control over price, quality and style. By 1998, the Company plans to purchase 80% to 90% of its wigs directly from the manufacturers.

The Company also sells wig accessories, including brushes and stylers, styrofoam head forms and stands, rainhoods, wig liners, shampoos and styling products at prices mostly under $10.

MARKETING

The Company markets its products through catalogs generally by way of a two-step marketing program. Step one involves obtaining prospective customers by soliciting customer interest through targeted advertising.

The Company uses a variety of advertising media, including magazines, newspaper tabloids, co-op mailers, package insert programs and television. The Company places advertising based on demographics, cost and historical experience. Historical experience is measured by cost per inquiry, cost per customer and lifetime value of a customer and, based on this information, the Company determines which media are effective and where future marketing dollars should be spent.

Step two, which commences when a prospective customer responds favorably to step one of the program, involves sending the prospective customer a series of catalogs designed to elicit an initial sale. By pre-qualifying prospects in this manner, SC Direct has been able to convert 15% to 20% of inquirers into customers within one year of catalog request. If a sale is made, the customer is put on an active list and catalogs designed to create a repeat buyer are mailed. Inactive inquiries and customers are periodically sent a program of targeted mailings designed to reactivate customer interest.

The Company believes that in niche markets its two-step marketing program has several advantages over the more traditional one-step marketing approach which entails mailing unsolicited catalogs to rented names. Since catalogs are

sent only to persons who have shown an interest in the Company's products, the Company experiences higher conversion rates and fewer catalogs need to be printed and mailed, which leads to savings in paper, postage and other catalog production costs.

The Company constantly refines its marketing programs and processes for the purpose of increasing its conversion rate and satisfying its existing customers. The Company employs a variety of research methods, including demographic analysis, customer surveys, test mailings and advertising, focus groups and outside research sources. The Company's research efforts have assisted the Company in pursuing its strategic goals by identifying new niche markets, such as hats and wigs and hairpieces for African-American women.

BRANDS

The Company markets through three distinct wig catalogs: Paula Young, Christine Jordan and Especially Yours. Each catalog includes detailed product descriptions and specifications, full color photographs and pricing information. The catalogs are published several times a year and often different variations of each catalog are distributed. Each catalog focuses on its namesake brand, as well as other selections of the Company's brands. The Company markets the following brands through its catalogs:

Paula Young is the Company's flagship line, is designed to have the broadest appeal and is available in all three catalogs. Paula Young wigs are value priced from $29 to $59 and have a "shake and wear" styling with quality construction. Gross sales of Paula Young brand wigs were $21.8 million in 1995, or 51% of the Company's wig sales.

Celebrity Secrets(TM) is geared toward a more sophisticated customer. Celebrity Secrets has more contemporary styling and unique features, such as a monofilament "partial scalp" permitting a natural looking hair part. These wigs command slightly higher prices ranging from $49 to $69 and are available in all three catalogs. Gross sales of Celebrity Secrets brand wigs were $3.8 million in 1995, or 9% of the Company's wig sales.

Christine Jordan is the Company's premium brand and consists of the Company's highest quality wigs ranging in price from $69 to $99. Christine Jordan wigs have a unique fiber blend and come in their own distinctive colors. In addition, the wigs have comfort construction with a natural hairline and it is the only brand in the industry to carry five sizes in all styles. This wig line is featured in its own separate catalog as well as the Paula Young and Especially Yours catalogs. Gross sales of Christine Jordan brand wigs were $8.9 million in 1995, or 21% of the Company's wig sales.

Especially Yours offers styles specially designed for African-American women and offers a variety of features, including natural hairline crimping and fiber texture, to reflect the natural hair of African-Americans. Especially Yours is featured in its own separate catalog with prices ranging from $29 to $69 and is also being

tested in selected Paula Young catalogs. Gross sales of Especially Yours wigs were $600,000 in 1995, or 1% of the Company's wig sales.

Touch of Class features only hairpieces, including wiglets, add-ons and extensions. Touch of Class products are sold primarily in the Paula Young catalog. Gross sales of Touch of Class brand hairpieces were $3.4 million in 1995, or 8% of the Company's wig sales.

In addition to its own five proprietary brands, the Company also markets Eva Gabor(R) wigs, a brand comparable in quality to Paula Young and Celebrity Secrets, but which is owned by Eva Gabor International. Eva Gabor wigs comprised 10% of the Company's 1995 wig sales.

NEW OPPORTUNITIES

African-American Market. Although African-American women comprise
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approximately 13% of the U.S. female population, they purchase approximately 50% of the wigs sold. The Company estimates the African-American wig market to be $125 million annually. African-American women wear hairpieces for fashion reasons and are more likely to begin wearing wigs and hairpieces at a younger age than Caucasian women. The Company's newest wig catalog, Especially Yours,

targets this market and is already the largest African-American wig catalog. The Company plans to market actively to African-American women.

International Expansion. The Company seeks to leverage its marketing and product knowledge, infrastructure and procurement ability to expand internationally. The Company estimates the international market is at least as large as the U.S. market. In the United Kingdom and New Zealand, the Company has entered into license agreements which grant each licensee exclusive rights to use the Company's trademarks to sell wigs in the licensee's territory. The licensee uses the Company's inventory and fulfillment services, for which the Company is reimbursed, and also receives marketing advice and catalog development assistance. Pursuant to the license agreements, the licensees are required to pay royalties on their net sales, including a minimum guaranteed annual royalty, and expend a specified minimum amount of advertising expenditures each year.

The U.K. licensee will conduct a test introduction of hats in late 1996 and plans to enter the Netherlands market with wigs in early 1997. The Company has targeted Europe, Japan, Scandinavia, Australia, Israel and South Africa as potential expansion areas. In 1995, the Company purchased its Canadian licensee's customer list and began to market directly to Canadian consumers. The Company's Canadian net sales totaled $900,000 in 1995. There can be no assurance that the Company will be able to achieve international success with its products.

Business to Business. The Company launched a pilot program in 1995 to sell wigs to beauty salons. The program permits participating salons to offer their customers a broad selection of styles while keeping a limited inventory of wigs in the store.

Men's Wigs. Utilizing its two-step marketing program, the Company intends to begin test marketing men's wigs in the Paula Young catalog in early 1997.

HATS

In 1995, as part of its overall expansion strategy, the Company launched the Paula's Hatbox catalog. The Company believed that the fashion hat market, like the wig market, was not well served by existing retail chains of distribution, with no major competitor offering a broad selection of quality hats. The Company's research suggested that the marketing skills needed to capture this niche market were similar to those the Company used in the wig market.

The women's fashion hat market is fragmented among department stores, small boutiques, resort stores and other general merchants and catalog retailers who offer a limited number of styles as a complement to their

principal product lines. Although the women's fashion hat market is estimated to be a $700 million market, no dominant hat retailer has emerged.

Paula's Hatbox The Company sells a variety of hats in over 125 styles and colors, ranging in style and price from simple baseball caps or sun visors for under $20 to designer hats for over $200. Paula's Hatbox also includes hat pins and accessories, including costume jewelry, sunglasses, scarves, belts and handbags.

The majority of the Company's hats are manufactured domestically and purchased from domestic vendors often from top designers. Currently, with the exception of hat boxes, the Company does not purchase hats and related products directly from manufacturers. As sales of hats expand, the Company expects to improve profit margins through improved sourcing.

The Company is using the two step marketing approach developed in its wig business to sell hats. In addition, the Company is testing new one step marketing techniques and selling hats through its Especially Yours catalog. In 1995, Paula's Hatbox represented less than 1% of the Company's sales. Although the Company believes that the hat market presents a significant opportunity for growth, there can be no assurance that the Company's efforts to expand its hat business will be successful or profitable.

CONTINUING EDUCATION

SC Publishing distributes catalogs under the name of Western Schools and specializes in providing continuing education ("CE") to nurses, real estate brokers and salespersons, and CPA's. SC Publishing represents a relatively small proportion of the Company's overall revenue, with net sales in 1995 of $5.3 million, or approximately 12% of the Company's overall net sales. SC Publishing's predecessor was organized in 1978 in California to provide real estate continuing education courses.

Required CE frequency and the number of required hours varies from profession to profession and from state to state depending on state laws and association regulations. The CE industry has many small providers, including local universities, but few large providers. In addition, some hospitals and CPA firms educate their own employees through in-house programs and by subsidizing outside programs. Because CE is a required product, people may not be enthusiastic buyers. Accordingly, SC Publishing competes aggressively on price, course content and selection, and customer service.

Nursing represented over half of SC Publishing's continuing education sales in 1995. Twenty-one states currently require nurses to have some form of CE. Two additional states will begin to require CE in 1997. SC Publishing is exploring the expansion of this segment through the addition of non-CE products and business-to-business opportunities in joint ventures, with hospitals, nursing homes and seminar providers.

SC Publishing sells continuing education to real estate agents only in California, which is the largest US market for real estate agents and brokers. Although the California real estate market has been depressed in recent years, the Company believes there are recent signs of improvement in this market. SC Publishing is seeking to build market share by refining its circulation plan and expanding its offerings to other related professionals such as appraisers and new home builders. SC Publishing is also assessing opportunities to enter new states which require real estate agents to take CE.

SC Publishing sells continuing education to CPA's, who generally are required to obtain CE every year. SC Publishing seeks to compete in this market by offering current CE topics in a convenient manner at competitive prices.

SC Publishing develops its products by first identifying topics pertinent to its target audiences of nurses, real estate agents and CPA's and then contracting with qualified authors to develop a course text book and exam materials. In some cases where products may change rapidly because of changing regulations or knowledge, SC Publishing buys existing text books and contracts with authors and/or industry experts to convert these into

courses. All courses are reviewed by other industry experts before publishing. SC Publishing generally prints its own materials and hence controls its own inventory investment based on projected demand.

OPERATIONS

ORDER ENTRY AND CUSTOMER SERVICE

The Company has structured its telemarketing operation and training for its telemarketing representatives to simplify catalog shopping by emphasizing prompt, courteous and knowledgeable service. Customers may call toll free telephone numbers 24 hours a day, seven days a week, to place orders or to request a catalog. Approximately 63% of the Company's orders are placed by telephone, with calls lasting three to four minutes. The balance of orders are received by mail. The Company has contracted with an outside telemarketing provider to handle calls in the event call volume exceeds the Company's capacity during peak business hours, as well as to answer the Company's phones during off-peak hours. Overflow situations also occur due to holidays and operational disruptions such as poor weather.

Telemarketing representatives process orders directly into the Company's computer system which provides customer history, product availability, product specifications, expected ship date and order number. The telemarketing representatives use a scripted catalog sales system, are knowledgeable in key product specifications and features, and are trained to cross-sell accessories and related products. In keeping with the Company's efforts to maximize operating efficiency, representatives are trained to handle a range of

products and customer service calls, allowing the Company to shift representatives among products as call volume requires.

The Company signed a new three year contract with AT&T in 1995 which management believes provides the Company with long-distance rates comparable to those enjoyed by larger users. The Company uses AT&T equipment with a 500 line capacity and presently uses about 320 lines in 86 stations. The phone system permits flexibility in routing calls to maximize teleservice representative efficiency.

CREDIT

Virtually all of the Company's sales are transacted by check or through credit card, and, as a result, accounts receivable consist primarily of amounts due from the Company's credit card processor. Credit card payments are deposited electronically into the Company's bank account one to two days after submission of credit card transactions. Personal checks over $200 and all credit card charges are pre-authorized. During fiscal 1995, losses due to bad checks amounted to less than 1% of net product sales.

In addition, purchases from SC Direct may be made by certain customers with the Paula Young credit card, which SC Direct began testing in 1990 and in 1995 offered to all wig customers who had previously paid by check. Before expanding the credit card program further, the Company is evaluating whether to continue to administer the card and finance the receivables internally or to outsource these functions.

FULFILLMENT

The Company's fulfillment goal is the prompt delivery of ordered merchandise. The Company's investment in computer systems has resulted in operating efficiencies in order entry and fulfillment. Orders of in-stock merchandise received before 11:00 a.m. are shipped on the same day, usually via bulk or priority mail. For an additional charge, the Company will ship by overnight or second day courier. Merchandise not in stock on date of order is shipped for delivery on the same or next business day after it is received by the Company.

The Company uses an integrated computer picking, packing and shipping system. The system monitors the in-stock status of each item ordered, processes the order and generates all related packing and shipping materials, taking into account the location of items within the distribution center. During fiscal 1995, the Company shipped an average of approximately 3,800 orders per day, with a peak of 5,473 orders shipped in one day. The Company currently has the capacity to ship approximately 7,800 orders per day in two shifts.

RETURNS

The Company's return policy allows customers to return products for prompt refund or exchange. Returns for refund and exchange over the past three years averaged 16% and 14%, respectively, at SC Direct and 2% and 1%, respectively, at SC Publishing. The Company believes that these return levels are normal for mail order products of this nature. Return experience is closely monitored at the SKU level to identify trends in product offerings, product defects and quality issues in an attempt to assess future purchases, enhance customer satisfaction and reduce overall returns. Returned wigs are inspected and returned to inventory if not worn, and if worn are donated to various hospitals' chemotherapy departments and local chapters of the American Cancer Society. Undamaged and unmarked SC Publishing books are also returned to inventory.

INVENTORY MANAGEMENT

The Company's inventory management goal is a high initial fulfillment rate with reasonable levels of inventory investment and low overstocks. To achieve this goal, the Company seeks to schedule merchandise deliveries and inventory amounts to conform closely to sales levels. The Company typically orders merchandise in several lots, with the sizes of reorders dependent on customer demand.

Initial orders for wigs and hats are placed two to four months before a catalog mailing. Initial deliveries are scheduled to occur one or two weeks

before the first mailing. Initial purchase quantities are based on a variety of factors, including past experience with the same or similar products, future availability, shipping time, and, with respect to hat vendors, the Company's ability to negotiate a reorder commitment from the vendor. The Company analyzes the initial sales and returns for each item in a catalog. Using this information, the Company projects gross demand and returns for such items and, based on these projections and inventory on hand and on order, makes decisions regarding additional purchases. The Company sells overstocks and discontinued items through targeted mailings and sale pages bound into its full-price catalogs.

CATALOG PRODUCTION

The Company's catalogs are created in-house by the Company's graphic arts staff of designers and production artists using a computer desktop publishing system. The Company's in-house preparation of catalogs provides the Company with greater control, flexibility and creativity in catalog production and product selection, and results in significant cost savings. The Company mailed 29.3 million catalogs in fiscal 1995, compared to 22.6 million catalogs in fiscal 1994. The Company's most active customers receive a Company catalog as often as every two weeks.

DATABASES

The Company has developed databases consisting in aggregate of approximately 5.9 million persons, including more than 1.2 million active customers and more than one million active inquirers. The Company markets mailing lists derived from its databases to non-competing businesses to provide additional sources of income after confirming that security measures are in place to protect this proprietary data. List rental income was $200,000 in 1995. The Company has undertaken limited exchanges of lists of inactive customers with wig competitors.

COMPETITION

The mail order catalog business is highly competitive. The Company believes that it competes on the basis of quality, value, service, product offerings, advertising effectiveness, catalog design, convenience and efficiency. The Company's wig and hat catalogs compete with other mail order catalogs, both specialty and general, and retail stores, including department stores, specialty stores, discount stores and hair salons and wig shops. The Company's CE catalogs compete with other mail order catalogs, in-house CE, professional associations, and seminar providers. The Company believes that the Company's catalogs have a competitive advantage in providing greater selection, convenience and privacy than traditional retail outlets. Some of the Company's competitors have greater financial and marketing resources than the Company. Potential competition may emerge from new distribution channels such as the Internet and interactive television.

EMPLOYEES

As of July 31, 1996, the Company employed a total of 278 employees, comprised of 63 salaried full-time employees, 138 full-time hourly employees, and 77 part-time hourly employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes that its relations with its employees are good.

FACILITIES

The Company occupies a 43,000 square foot building in South Easton, Massachusetts, which is utilized as one-third warehouse and two-thirds office space. In addition, the Company also leases another 22,000 square foot facility one block away, primarily utilized as additional warehouse space. In June 1995, rent on the main facility was adjusted from $40,000 to $25,000 per month, which management estimates to be slightly above market rates. The rent on the 22,000 square foot facility is approximately at market rate. Under the terms of the current leases, each landlord and the Company have the right to terminate the respective lease upon four month's notice. In the event a landlord gives the Company notice, the Company believes that it could move to new appropriate space within four months. Nonetheless, there can be no assurance that the Company will find appropriate space within four months. The process of moving to and restarting operations in a new site could have a material adverse effect on the Company's operations.

The Company is planning to expand to a larger facility which provides room for growth and eliminates the inefficiencies of operating two warehouses. Currently, the Company is investigating the lease of an appropriately sized facility within a 10 to 15 mile radius of its present location. If the Company does not locate a suitable site, it may enter into negotiations with its present landlords for long-term leases. There can be no assurance that the Company will be successful in locating a new facility or negotiating new leases.

TRADEMARKS AND TRADE NAMES

The Company has registered 13 trademarks with the U.S. Patent and Trademark Office. In the course of normal business, the Company often utilizes new tradenames. When appropriate, the Company seeks to register these names.

GOVERNMENT REGULATIONS

In 1994, the United State Supreme Court reaffirmed an earlier decision that allowed direct marketers to make sales into states where they do not have a physical presence without collecting sales taxes, but noted that Congress has the power to change this law. The imposition of an obligation to collect sales taxes may have a negative effect on the Company's response rates and may require the Company to incur administrative costs in collecting and remitting the sales taxes. The Company believes that Massachusetts is the only jurisdiction where it is currently required to collect sales taxes.

LEGAL PROCEEDINGS

The Company is, from time to time, a party to routine litigation arising in the normal course of its business. The Company believes that none of these actions will have a material adverse effect on the financial condition or results of operations of the Company.

The Company currently has several registered trademarks and may seek additional legal protection for its products and trade names. Intellectual property litigation can be expensive and time-consuming. The Company does not currently know of any lawsuit alleging the Company's infringement of intellectual property rights that could have a material adverse effect on the Company's business. There can be no assurance, however, that any such lawsuit will not be filed against the Company in the future or, if such a lawsuit is filed, that the Company would ultimately prevail.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Steven L. Bock.....	42	Chairman of the Board of Directors and Chief Executive Officer
Stephen M. O'Hara.....	41	President and Secretary
J. William Heise.....	47	Senior Vice President and Chief Financial Officer
Jerral R. Pulley.....	62	Senior Vice President
Alan S. Cooper.....	37	Director
Martin Franklin.....	31	Director
Samuel L. Katz.....	30	Director
Guy Naggar.....	55	Director

</TABLE>

STEVEN L. BOCK has been Chairman of the Board and Chief Executive Officer of the Company (or its predecessor company) since December 1990. He has been a director of SC Direct and SC Publishing (including the years when these companies were under bankruptcy protection of the courts) since March 1989. SC Direct was formed by RSG Partners, a private investment and management firm founded by Mr. Bock and two partners in 1988. Prior to founding RSG Partners, Mr. Bock was a vice president of TSG Holdings, Inc., the investment advisor to Transcontinental Services Group, a U.K. listed investment holding company, where he was responsible for initiating, financing and managing business

investments. Mr. Bock is a director of Xetex Corporation, a technology development company. Part of Xetex's business is conducted through SOLI.FLO SM, a 50/50 joint venture with Fluor Daniel Inc., a publicly held engineering and construction company. Mr. Bock is a Member of SOLI.FLO's Members Committee. Mr. Bock is a member of the Young Presidents Organization. He graduated (summa cum laude) with a B.A. degree from SUNY at Albany and received his J.D. degree (cum laude) from Harvard Law School.

STEPHEN M. O'HARA has been President of the Company since 1994 and was President of Wigs by Paula, Inc., a predecessor company, from November 1991 to November 1994 (including the years Wigs By Paula, Inc. were under the protection of the bankruptcy courts). From May 1990 to November 1991, Mr. O'Hara was Vice President, Marketing and Vice President, Strategy of the All American Gourmet division of Kraft General Foods. From May 1988 to May 1990, Mr. O'Hara was President of Quantum Investments, a venture capital firm targeting small consumer businesses, as well as a principal in Quantum Associates, a management consulting firm. From November 1984 to May 1988 he served in a variety of positions with CML Group ("CML"), most recently as President of CML's subsidiary Carroll Reed, Inc., a women's apparel retailer and direct marketer. Prior to CML, Mr. O'Hara served in Procter and Gamble's marketing department from 1979 to 1984. Mr. O'Hara holds A.B. and M.B.A. degrees from Harvard University.

J. WILLIAM HEISE has been Chief Financial Officer of the Company since August 1996 and was Acting Chief Financial Officer from March 1996 to August 1996. From November 1994 to November 1995, Mr. Heise was Vice President/Chief Financial Officer at Sun Television and Appliances, Inc., a retailer of consumer electronics and appliances. From October 1983 to March 1994, Mr. Heise served in a variety of positions with Victoria's Secret Catalogue, Inc., including Executive Vice President/Chief Financial Officer from 1989 to 1992 and Executive Vice President Operations from 1992 to 1994. Mr. Heise holds a B.A. degree from Ohio University.

JERRAL R. PULLEY has been Senior Vice President of SC Publishing since October 1995. From November 1994 to October 1995, Mr. Pulley worked as an independent consultant. From 1990 to 1994, Mr. Pulley served as CEO of Polymerics, Inc. a leading manufacturer of arts and crafts supplies. From 1970 through 1990, Mr. Pulley held a variety of senior positions at Binney & Smith, Ryder System, Perfect Building Group, Borden Inc., Lifesavers, Inc. and Pepsi-Cola of North America. From 1958 to 1970 Mr. Pulley worked in marketing at Procter & Gamble. Mr. Pulley holds a B.S. degree from the University of Utah and a M.B.A. degree from U.C.L.A.

ALAN S. COOPER has been a director of the Company since February 1996. Mr. Cooper has been general counsel of Dickstein Partners Inc., a private investment firm, since March 1992. Prior to joining Dickstein Partners Inc., he was engaged as an attorney with Rosenman & Colin in New York City from August 1983 to February 1992. Mr. Cooper is a director of Hills Stores Company. Mr. Cooper received his B.S. and J.D. degrees from the University of Pennsylvania.

MARTIN E. FRANKLIN has been a director of the Company since November 1994. Mr. Franklin is currently Chairman and Chief Executive Officer of BEC Group, Inc., a NYSE company, and non-executive Chairman of Eyecare Products plc, a London Stock Exchange Company. Mr. Franklin was Chairman and Chief Executive Officer of Benson Eyecare Corporation, the predecessor company to BEC Group, from October 1992 through May 1996. Mr. Franklin has been the Chairman of the Board and Chief Executive Officer of Pembridge Holdings, Inc. since 1990 and sits on various other private company boards. From 1988 to 1990, Mr. Franklin was Managing Director of Pembridge Associates, Inc. Both Pembridge Associates, Inc. and Pembridge Holdings specialize in merchant banking and related services. Mr. Franklin received a B.A. in Economics and Political Science from the University of Pennsylvania.

SAMUEL L. KATZ has been a director of the Company since November 1994. He has been the Senior Vice President-Acquisitions of HFS Incorporated, a public corporation engaged in the lodging and real estate franchising businesses, since January 1996. From July 1993 to December 1995, Mr. Katz was a Vice President of Dickstein Partners Inc. From February 1992 to July 1993, Mr. Katz was the Co-Chairman of Saber Capital Inc., a private investment firm. From January 1988 to January 1992, Mr. Katz served as an Associate and then a Vice President of the Blackstone Group, an investment and merchant bank, where he

focused on leveraged buy-out transactions. Mr. Katz is a director of Hills Stores Company. Mr. Katz received his B.A. in Economics from Columbia University in 1986.

GUY NAGGAR has been a director of the Company since November 1994. Since 1981 he has been Chairman of Dawnay, Day & Co. Limited, a U.K. investment bank. From 1965 through 1980 Mr. Naggar was with Keyser Ullmann Holding, a United Kingdom investment banking firm, most recently as Deputy Chief Executive.

EXECUTIVE COMPENSATION

The following table shows the cash compensation paid by the Company and its subsidiaries, as well as certain other compensation paid or accrued, during the fiscal years ended December 30, 1995 and December 31, 1994 and January 1, 1993 to the Chief Executive Officer of the Company and each of the other three most highly compensated executive officers ("Named Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITIONS	FISCAL YEAR	ANNUAL COMPENSATION SALARY	ANNUAL COMPENSATION BONUS	LONG-TERM COMPENSATION NUMBER OF OPTIONS
Steven L. Bock..... Chairman and Chief Executive Officer	1995	$ 269,284	$ 65,960	--
	1994	212,116	100,000	310,226(3)
	1993	215,923	--	--
Stephen M. O'Hara..... President	1995	$ 194,718	$ 35,000	--
	1994	166,424	81,850	272,773(4)
	1993	157,228	--	--
J. William Heise..... Chief Financial Officer	(1)	--	--	--
Jerral R. Pulley..... Senior Vice President	1995(2)	$ 25,962	$ 5,000	--

(1) Mr. Heise became acting financial officer in March 1996 and on August 1, 1996 he was hired permanently at an annual salary of $130,000.
(2) Mr. Pulley was hired in October 1995 at an annual salary of $125,000.
(3) Represents options granted in 1994 at an exercise price of $0.31 per share, all of which will become exercisable upon the effective date of this Offering.
(4) Represents options granted in 1994 at an exercise price of $0.31 per share, of which options to purchase 218,218 shares will become exercisable upon the Offering, and options to purchase 54,555 shares will become exercisable one year from the effective date of this Offering.

AGGREGATED OPTION VALUES FOR FISCAL YEAR ENDED

NAME	NUMBER OF UNEXERCISED OPTIONS/SARS AT DECEMBER 30, 1995		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 30, 1995($)(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Steven L. Bock.....	--	310,226	--	--
Stephen M. O'Hara.....	--	272,773	--	--

(1) There was no public trading market for the Common Stock as of December 30, 1995. Accordingly, no value can be ascribed to these options.

EMPLOYMENT AGREEMENTS

The Company has entered into an employment agreement with Mr. Steven L. Bock pursuant to which Mr. Bock will serve as the Chairman of the Board and Chief Executive Officer of the Company for a term expiring on December 31, 1999, at a salary of $280,000, subject to upward adjustment annually. Mr. Bock will be eligible for a performance bonus, which will be tied to the Company's performance against its annual plan approved by the Board. Upon executing the employment agreement, Mr. Bock was granted options under the Plan to purchase 75,000 shares of Common Stock at the initial public offering price. Options to purchase 15,000

shares of Common Stock will vest and become exercisable each year for five years, subject to accelerated vesting under certain circumstances. Mr. Bock will receive deferred bonus compensation of $187,500 which will be paid in three equal installments on January 1, 1997, June 30, 1997 and January 1, 1998. The Company currently maintains an $8.5 million key person life insurance policy on Mr. Bock, although this amount may be reduced.

The Company has entered into an employment agreement with Stephen M. O'Hara pursuant to which Mr. O'Hara will serve as President of the Company for a term expiring on December 31, 1999 at a salary of $205,000 (subject to upward adjustment annually). Mr. O'Hara will be eligible for a performance bonus, which will be tied to the Company's performance against its annual plan approved by the Board. Upon executing the employment agreement, Mr. O'Hara was granted options under the Plan to purchase 25,000 shares of Common Stock at the initial public offering price. Options to purchase 5,000 shares of Common Stock will vest and be exercisable each year for five years, subject to accelerated vesting under certain circumstances. Mr. O'Hara will receive deferred bonus compensation of $35,000, which will be paid in three equal installments on January 1, 1997, June 30, 1997 and January 1, 1998. The Company currently maintains a $5.5 million key person life insurance policy on Mr. O'Hara, although this amount may be reduced.

The Company may terminate Mr. Bock's or Mr. O'Hara's employment: (i) upon his death or permanent disability; (ii) if he engages in conduct that constitutes "cause"; or (iii) if, after 1996, the Company fails to meet certain financial targets. Messrs. Bock and O'Hara may terminate their agreements if there is a reduction of their respective responsibilities or a breach of the agreement by the Company, or upon a change in control of the Company.

STOCK OPTION PLAN

The Company has adopted the Plan to attract and retain officers, non-employee directors, employees, and consultants of the Company or any of its subsidiaries. The Plan authorizes the purchase of up to 500,000 shares of Common Stock through the grant of stock options and awards of restricted stock. The Company has issued 252,150 options under the Plan at the initial public offering price. An additional 50,000 options may be issued within the first year following the effective date of this Offering to new officers, directors, employees or consultants not currently associated with the Company, with the balance of the options available for issuance thereafter. The Plan will be administered by either the Board of Directors or a committee of two or more non-employee directors ("Administrator"). In general, the Administrator will determine which eligible officers, directors, employees and consultants of the Company may participate in the Plan and the type, extent and terms of the stock option grants and awards of restricted stock. Options granted to employees may be either incentive stock options ("ISO's") or non-ISO's. Each option has a maximum term of ten years from the date of the grant, subject to early termination.

At the discretion of the Administrator, the exercise price of the options may be paid in cash, with shares of Common Stock having a fair market value equal to the option exercise price, or with other property having a fair market value equal to the option exercise price, including other vested but unexercised options. In the event of a change in control, as defined in the Plan, all options will become immediately vested and exercisable and the restrictions with regard to restricted stock will lapse, unless the Administrator provides otherwise.

EMPLOYEE BENEFIT PLANS

The Company maintains a qualified defined contribution plan, under the

provisions of Section 401(k) of the Internal Revenue Code, covering substantially all employees. Under the terms of the plan, eligible employees may make contributions up to 15% of pay, subject to statutory limitations. Contributions not exceeding 5% of an employee's pay are matched 40% by the Company. The Company may, at its discretion, make an additional year-end contribution. Employee contributions are always fully vested. Company contributions vest 20% for each completed year of service, becoming fully vested after five years of service. Matching contributions by the Company under the plan were $47,520, $59,594 and $67,188 in 1993, 1994 and 1995, respectively. No discretionary contributions have been made to the plan.

The Company established a supplemental defined contribution plan in 1994 that covers senior employees who have not been granted stock options. Under the terms of the plan, these employees may elect to defer up to 50% of any bonus paid for that year. The Company matches 100% of all amounts deferred. In addition, the Company pays interest on all outstanding balances at the prime rate as reported in the Wall Street Journal, but not in excess of 12%. A participant's rights to the deferred amount of regular bonus and income thereon is fully vested and nonforfeitable at all times. A participant's right to the Company's match becomes fully vested and nonforfeitable in cumulative increments of 20% on each of the first through fifth anniversaries of the year end in which the bonus was earned for that year. The total cost of this plan to the Company was $0, $65,000 and $0, in 1993, 1994 and 1995, respectively. The $65,000 contributed in 1994 initiated the plan. The supplemental defined contribution plan will terminate upon this Offering.

COMPENSATION OF DIRECTORS

Each current non-employee director is paid annual cash compensation of $7,500, payable quarterly, and has received options to purchase 2,500 shares of the Common Stock. These options are immediately exercisable at the initial public offering price. All directors are reimbursed for expenses incurred on behalf of the Company.

BOARD COMMITTEES

The Board of Directors has established an Audit Committee comprised of two non-employee directors. The Audit Committee will be responsible for recommending to the Board of Directors the appointment of the Company's outside auditors, examining the results of audits and reviewing internal accounting controls. The Board of Directors has no compensation committee or nominating committee or any committee performing the functions of such committees, although such committees may be formed.

The Company's executive officers are appointed annually by, and serve at the discretion of, the Board of Directors. All directors hold office until the next annual meeting of the Company or until their successors have been duly elected or qualified. There are no family relationships among any of the executive officers or directors of the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the year ended December 30, 1995, the Company did not have a compensation committee, and all deliberations concerning executive officer compensation for each entity were had, and all determinations with respect thereto were made, by the Company's Board of Directors. During such period, Mr. Bock was an executive officer and director of the Company.

PRINCIPAL STOCKHOLDERS

The table below sets forth certain information regarding the beneficial ownership as of the date hereof and as adjusted to reflect the sale of Common Stock offered hereby, by (i) each person known by the Company to own beneficially five percent or more of the Common Stock, (ii) each of the Company's directors, (iii) each of the Named Officers and (iv) all directors and executive officers as a group. Except as otherwise indicated, (x) the Company believes that each of the beneficial owners of the Common Stock listed in the table, based on information furnished by such owner, has sole investment and voting power with respect to such shares, and (y) the address

of the beneficial owner is the address of the principal executive offices of the Company. The information set forth in the table and accompanying footnotes has been furnished by the named beneficial owners.

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE(1) BEFORE OFFERING	PERCENTAGE(1) AFTER OFFERING
<S>	<C>	<C>	<C>
Steven L. Bock(2)	409,160(2)	11.7%	8.6%
Stephen M. O'Hara(3)	218,218(3)	6.4%	4.7%
J. William Heise	--	*	*
Jerral R. Pulley	--	*	*
Alan S. Cooper(4)	2,500	*	*
Guy Naggar(4)	2,500	*	*
Samuel L. Katz(4) HFS, Incorporated 339 Jefferson Road Parsippany, New Jersey 07054	93,075	2.8%	2.0%
Martin Franklin(4)(5) 555 Theodore Fremd Avenue Rye, New York 10580	230,688	6.7%	4.9%
Dickstein & Co., L.P.(6) 9 West 57th Street New York, New York 10019	1,347,689	42.0%	25.1%
Dickstein International Limited(6) 9 West 57th Street New York, NY 10019	1,347,689	42.0%	25.1%
Dickstein Focus Fund L.P.(6) 9 West 57th Street New York, New York 10019	1,347,689	42.0%	25.1%
Viking Holdings Limited c/o Abacus Secretaries (Jersey Limited) Limited La Motte Chambers St. Helier, Jersey JE1 1BS Channel Islands	1,483,553	46.3%	33.3%
All executive officers and directors as a group (7 persons)	956,141	24.1%	18.3%

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* Less than 1%

(1) Applicable percentage of ownership is based upon 3,201,666 shares of Common Stock outstanding. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("Commission") and generally includes voting and investment power with respect to securities. Shares of Common Stock issued upon the exercise of options and warrants currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for computing the percentage ownership of any other person.

(2) Includes 310,226 shares of Common Stock underlying stock options immediately exercisable at a price of $0.31 per share. Excludes 75,000 shares of Common Stock underlying stock options granted outside of the Plan which are not currently exercisable and 75,000 shares of Common Stock underlying stock options issued under the Plan which are not currently exercisable. All of Mr. Bock's options which are not currently exercisable

vest in increments of 20% commencing on the first anniversary of the effective date of this Offering.

(3) Includes 218,218 shares of Common Stock underlying stock options which are immediately exercisable. Excludes 54,555 shares of Common Stock underlying options granted outside of the Plan exercisable on the first anniversary of the effective date of this Offering, and 25,000 shares of Common Stock underlying options, granted under the Plan which vest in increments of 20% per year, commencing on the first anniversary of the effective date of this Offering.

(4) Includes 2,500 shares of Common Stock underlying stock options issued under the Plan which are immediately exercisable.

(5) Represents 228,188 shares of Common Stock issuable upon exercise of the Warrants.

(6) Of the 1,347,689 total shares reported, Dickstein & Co., L.P. owns beneficially 853,153 of such shares, Dickstein Focus Fund L.P. owns beneficially 135,881 of such shares and Dickstein International owns beneficially 358,655 of such shares. Dickstein & Co., L.P. disclaims beneficial ownership of 135,881 shares owned by Dickstein Focus Fund L.P. and 358,655 shares owned by Dickstein International Limited. Dickstein Focus Fund L.P. disclaims beneficial ownership of 853,153 shares owned by Dickstein & Co., L.P. and 358,655 shares owned by Dickstein International Limited. Dickstein International Limited disclaims beneficial ownership of 853,153 shares owned by Dickstein & Co., L.P. and 135,881 shares owned by Dickstein Focus Fund L.P. Dickstein Partners, L.P. is the general partner of Dickstein & Co., L.P. and Dickstein Focus Fund L.P. Dickstein Partners Inc. is the general partner of Dickstein Partners, L.P. and is the advisor to Dickstein International Limited. Mark B. Dickstein is the President and sole director of Dickstein Partners Inc.

CERTAIN TRANSACTIONS

As part of the Plan of Reorganization: (i) Mr. Bock acquired 98,934 shares of the Company's Common Stock; (ii) Dickstein & Co. acquired 867,786 shares of the Company's Common Stock, 7,272 shares of the Company's 13% Preferred Stock and Subordinated Indebtedness in the principal amount of $1,189,926; (iii) Dickstein International acquired 433,893 shares of the Company's Common Stock, 3,636 shares of the Company's 13% Preferred Stock and Subordinated Indebtedness in the principal amount of $594,964; and (iv) Viking Holdings Limited acquired 1,301,680 shares of the Company's Common Stock, 10,908 shares of the Company's 13% Preferred Stock and Subordinated Indebtedness in the principal amount of $1,784,890. All of the Subordinated Indebtedness was transferred to SC Holdings L.L.C. shortly after completion of the Plan of Reorganization. The owners of SC Holdings L.L.C. control the majority of the outstanding Common Stock.

On April 28, 1995, the common stock of the Company was reclassified into three classes, Class A, Class B and Class C. The different classes of common stock had different voting rights, with Class A, Class B, and Class C having voting rights of one vote, one-half vote and one and one-half votes, respectively, per share. Except for the different voting rights, the Class A, Class B and Class C common stock had identical rights. Immediately prior to this Offering all outstanding Class A, Class B and Class C shares will be reclassified into Common Stock.

On June 1, 1996, the Company entered into an agreement with Martin Franklin, a director of the Company, and two associates of Mr. Franklin, pursuant to which Mr. Franklin and his associates loaned the Company $495,000 in Junior Subordinated Indebtedness. The Junior Subordinated Indebtedness has the same interest rate as the Subordinated Indebtedness, except that it will be junior in priority to the Subordinated Indebtedness. It is due on August 9, 1999, provided that the Subordinated Indebtedness has been paid in full.

In connection with the Junior Subordinated Indebtedness, the Company has issued for $5,000 to Mr. Franklin and his associates the Warrants to purchase 265,335 shares of Common Stock. The Warrants are exercisable until September 30, 1999 at an exercise price of $1.88 per share.

Effective upon this Offering, Mr. Bock will receive non-qualified options to purchase 75,000 shares of Common Stock at a price of $5.33 per share. Options to purchase 15,000 shares of Common Stock will vest each year for five years, subject to accelerated vesting under certain circumstances. These options will be exercisable for a period of ten years from the date of grant.

DESCRIPTION OF SECURITIES

The authorized capital stock of the Company is 11,000,000 shares, consisting of 10,000,000 shares of Common Stock, $.01 par value per share and 1,000,000 shares of Preferred Stock, $1.00 par value per share. As of the date hereof there are 3,201,666 shares of Common Stock outstanding. After the completion of this Offering there will be 4,451,666 shares of Common Stock outstanding. No shares of Preferred Stock are currently outstanding.

COMMON STOCK

The holders of shares of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted can elect all of the directors then being elected. The holders of Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the Common Stock. Holders of shares of Common Stock, as such, have no redemption, preemptive or other subscription rights, and there are no conversion provisions applicable to the Common Stock. All of the outstanding shares of Common Stock are, and the shares of Common Stock offered hereby, when issued and paid for as set forth in this Prospectus, will be, fully paid and nonassessable.

PREFERRED STOCK

The Company's authorized shares of Preferred Stock may be issued in one or more series, and the Board of Directors is authorized, without further action by the stockholders, to designate the rights, preferences, limitations and restrictions of and upon shares of each series, including dividend, voting, redemption and conversion rights. The Board of Directors also may designate par value, preferences in liquidation and the number of shares constituting any series. The Company believes that the availability of Preferred Stock issuable in series will provide increased flexibility for structuring possible future financings and acquisitions, if any, and in meeting other corporate needs. It is not possible to state the actual effect of the authorization and issuance of any series of Preferred Stock upon the rights of holders of Common Stock until the Board of Directors determines the specific terms, rights and preferences of a series of Preferred Stock. However, such effects might include, among other things, restricting dividends on the Common Stock, diluting the voting power of the Common Stock, or impairing liquidation rights of such shares without further action by holders of the Common Stock. In addition, under various circumstances, the issuance of Preferred Stock may have the effect of facilitating, as well as impeding or discouraging, a merger, tender offer, proxy contest, the assumption of control by a holder of a large block of the Company's securities or the removal of incumbent management. Issuance of Preferred Stock could also adversely affect the market price of the Common Stock. The Company has no present plans to issue any shares of Preferred Stock.

WARRANTS

In connection with the Junior Subordinated Indebtedness, the Company has issued for $5,000 to Mr. Franklin and his associates the Warrants to purchase 265,335 shares of Common Stock. The Warrants are exercisable until September 30, 1999 at an exercise price of $1.88 per share.

INDEMNIFICATION OF OFFICERS AND DIRECTORS

As permitted by the DGCL, the Company's Certificate of Incorporation, as amended, limits the personal liability of a director or officer to the Company for monetary damages for breach of fiduciary duty of care as a director. Liability is not eliminated for (i) any breach of the director's duty of loyalty to the Company or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing

violation of law, (iii) unlawful payment of dividends or stock purchases or redemptions pursuant to Section 174 of the DGCL, or (iv) any transaction from which the director derived an improper personal benefit.

The Company has also entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements provide that the directors and executive officers will be indemnified to the fullest extent permitted by applicable law against all expenses (including attorneys' fees), judgments, fines and amounts reasonably paid or incurred by them for settlement in any threatened, pending or completed action, suit or proceeding, including any derivative action, on account of their services as a director or officer of the Company or of any subsidiary of the Company or of any other company or enterprise in which they are serving at the request of the Company. No indemnification will be provided under the indemnification agreements, however, to any director or executive officer in certain limited circumstances, including on account of knowingly fraudulent, deliberately dishonest or willful misconduct. To the extent the provisions of the indemnification agreements exceed the indemnification permitted by applicable law, such provisions may be unenforceable or may be limited to the extent they are found by a court of competent jurisdiction to be contrary to public policy.

DELAWARE LAW

The Company is subject to Section 203 of the DGCL, which prevents an "interested stockholder" (defined in Section 203, generally, as a person owning 15% or more of a corporation's outstanding voting stock) from engaging in a "business combination" with a publicly-held Delaware corporation for three years following the date such person became an interested stockholder, unless: (i) before such person became an interested stockholder, the board of directors of the corporation approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination; (ii) upon consummation of the transaction that resulted in the interested stockholder's becoming an interested stockholder, the interested stockholder owns at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (subject to certain exceptions); or (iii) following the transaction in which such person became an interested stockholder, the business combination is approved by the Board of Directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of 66% of the outstanding voting stock of the corporation not owned by the interested stockholder. A "business combination" includes mergers, stock or asset sales and other transactions resulting in a financial benefit to the interested stockholder.

The provisions of Section 203 of the DGCL could have the effect of delaying, deferring or preventing a change in control of the Company.

SHAREHOLDERS' AGREEMENT

All of the existing holders of Common Stock and options to purchase Common Stock are parties to a Shareholders' Agreement dated November 30, 1994 which will terminate upon the completion of this Offering. This agreement (i) prohibits the sale, pledge, transfer or disposal of shares of Common Stock prior to the earlier of November 24, 1997 or the date on which the Company shall have fully utilized its Federal income tax NOL's ("Ownership Change Date") and (ii) restricts the sale, pledge, transfer or disposal of shares of Common Stock subsequent to the Ownership Change Date. The Shareholders' Agreement terminates on the earliest of (i) the date of dissolution or liquidation of the Company, (ii) such time as any one shareholder or other person owns all the shares of Common Stock, (iii) the date of the consummation of a public offering of Common Stock under the Securities Act or (iv) such time as all the parties to the Shareholders' Agreement elect to terminate such agreement.

The Shareholders' Agreement provides for Dickstein & Co., L.P., Dickstein International Limited and Dickstein Focus Fund, L.P. (collectively "Dickstein") and Viking Holding Limited ("Viking") to appoint two Directors. Dickstein has appointed Messrs. Cooper and Katz to the Board and Viking has appointed Messrs. Franklin and Naggar to the Board.

TRANSFER AGENT

The transfer agent for the Common Stock is Continental Stock Transfer & Trust Company, New York, New York.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have 4,451,666 shares of Common Stock outstanding, not including shares of Common Stock issuable upon exercise of the Officer's Options, Warrants and Underwriter's Purchase Option and assuming no exercise of the over-allotment option granted to the Underwriter and options outstanding under the Plan. Of these outstanding shares, the 1,250,000 shares sold to the public in this Offering may be freely traded without restriction or further registration under the Securities Act, except that any shares that may be held by an "affiliate" of the Company (as that term is defined in the rules and regulations under the Securities Act) may be sold only pursuant to a registration under the Securities Act or pursuant to an exemption from registration under the Securities Act including the exemption provided by Rule 144 adopted under the Securities Act. 3,201,666 shares of Common Stock are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"), and may not be sold unless such sale is registered under the Securities Act, or is made pursuant to an exemption from registration under the Securities Act, including the exemption provided by Rule 144. Of such shares, 3,065,803 will be available for sale pursuant to Rule 144 commencing 1996, and 135,863 will be available for sale pursuant to Rule 144 commencing February 1998, in each case subject to the lock-up agreements described below.

In general, under Rule 144 as currently in effect, a stockholder (or stockholders whose shares are aggregated) who has beneficially owned any Restricted Shares for at least two years (including a stockholder who may be deemed to be an affiliate of the Company), will be entitled to sell, within any three-month period, that number of shares that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock or (ii) the average weekly trading volume of the Common Stock during the four calendar weeks preceding the date on which notice of such sale is given to the Securities and Exchange Commission ("Commission"), provided certain public information, manner of sale and notice requirements are satisfied. A stockholder who is deemed to be an affiliate of the Company, including members of the Board of Directors and senior management of the Company, will still need to comply with the restrictions and requirements of Rule 144, other than the two-year holding period requirement, in order to sell shares of Common Stock that are not Restricted Securities, unless such sale is registered under the Securities Act. A stockholder (or stockholders whose shares are aggregated) who is deemed not to have been an affiliate of the Company at any time during the 90 days preceding a sale by such stockholder, and who has beneficially owned Restricted Shares for at least three years, will be entitled to sell such shares under Rule 144 without regard to the volume limitations described above. The Commission is currently considering a reduction in the required holding periods under Rule 144.

No predictions can be made of the effect, if any, that future sales of shares of the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock in the public market could adversely affect the then-prevailing market price.

All of the officers and directors of the Company and all other existing stockholders of the Company as of August, 1996, have agreed that for a period of 12 months from the date of this Prospectus, they will not sell any of such shares without the prior written approval of the Underwriter. Such lock-up only extends for a period of 6 months from the date of this Prospectus with respect to the 375,000 shares of Common Stock acquired in the Preferred Conversion.

In addition, any employee, officer or director of or consultant to the Company who purchased his or her shares pursuant to a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701 under the Securities Act ("Rule 701"). Rule 701 permits affiliates to sell their shares which are subject to Rule 701 ("Rule 701 shares") under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell Rule 701 shares in reliance on Rule 144 without having to comply with the public information, volume limitation or notice provisions of Rule 144. In both cases, a holder of Rule 701 shares is required to wait until 90 days after the date of this Prospectus. All holders of stock options under the Plan will be required to agree not to dispose of Rule 701 shares for a period of 24 months from the

date of this Prospectus without the consent of the Underwriter.

REGISTRATION RIGHTS

The Company has entered into a registration rights agreement with Dickstein and Viking. Under this registration rights agreement, the Company has provided to each of Dickstein and Viking, for so long as it owns at least 15% of the outstanding Common Stock, (i) "demand" registration rights whereby each of Dickstein and Viking can, with certain restrictions, on one occasion require the Company to register under the Securities Act the Company's equity securities it holds and that of certain other shareholders and (ii) "piggyback" registration rights whereby each of Dickstein and Viking can, with certain restrictions, require the Company to include the Company's equity securities it holds in any registration statement filed by the Company. The Company will pay all registration expenses related to any demand registration excluding underwriting commissions. The Company will pay certain of the expenses relating to piggyback registrations, with the remainder of such expenses to be divided pro rata between Dickstein and Viking based on the number of securities each has registered in the offering. In connection with this Offering, Dickstein and Viking have waived their registration rights for a period of one year following this Offering. The Company will register securities pursuant to the Registration Rights Agreement on Form S-3 or any other available form.

The Company intends to file one or more registration statements on Form S-8 under the Securities Act to register approximately 500,000 shares underlying options granted or to be granted under the Plan for resale under the Securities Act. The Company has agreed with the Underwriter that it will not file any Form S-8 registration statement for one year following the date of this Prospectus. Shares covered by these registration statements will thereupon be eligible for sale in the public markets to the extend applicable.

UNDERWRITING

GKN Securities Corp. ("Underwriter"), has agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase from the Company a total of 1,250,000 shares of Common Stock. The obligations of the Underwriter under the Underwriting Agreement are subject to approval of certain legal matters by counsel and various other conditions precedent, and the Underwriter is obligated to purchase all of the shares of Common Stock offered by this Prospectus (other than the shares of Common Stock covered by the over-allotment option described below), if any are purchased.

The Underwriter has advised the Company that it proposes to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at that price less a concession not in excess of $ per share of Common Stock. The Underwriter may allow, and such dealers may reallow, a concession not in excess of $ per share of Common Stock to certain other dealers. After this Offering, the offering price and other selling terms may be changed by the Underwriter.

The Company has agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act. The Company has also agreed to pay to the Underwriter an expense allowance on a nonaccountable basis equal to 2.5% of the gross proceeds derived from the sale of the shares of Common Stock underwritten (including the sale of any shares of Common Stock subject to the Underwriter's over-allotment option), $50,000 of which has been paid to date. The Company also has agreed to pay all expenses in connection with qualifying the shares of Common Stock offered hereby for sale under the laws of such states as the Underwriter may designate and register this Offering with the National Association of Securities Dealers, Inc., including fees and expenses of counsel retained for such purposes by the Underwriter.

The Company has granted to the Underwriter an option, exercisable during the 45-day period after the date of this Prospectus, to purchase from the Company at the offering price, less underwriting discounts and the non-accountable expense allowance, up to an aggregate of 187,500 additional shares of Common Stock for the sole purpose of covering over-allotments, if any.

In connection with this Offering, the Company has agreed to sell to the

Underwriter for an aggregate of $100, the Underwriter's Purchase Option, consisting of the right to purchase up to an aggregate of 125,000 shares of Common Stock. The Underwriter's Purchase Option is exercisable at $, for a period of four years, commencing on the first and ending on the fifth anniversary of the effective date ("Effective Date") of the Registration Statement. The Underwriter's Purchase Option may not be transferred, sold, assigned or hypothecated during the one-year period following the date of this Prospectus except to officers of the Underwriter and the selected dealers and their officers or partners. The Underwriter's Purchase Option grants to the holders thereof certain "piggyback" and demand rights for periods of seven and five years, respectively, from the date of this Prospectus with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the Underwriter's Purchase Option.

Pursuant to the Underwriting Agreement, all of the officers, directors and stockholders of the Company as of the date of this Prospectus have agreed not to sell any of their shares of Common Stock until the expiration of 12 months from the date of this Prospectus without the prior consent of the Underwriter, provided, however, that holders of 375,000 shares of Common Stock issued in the Preferred Conversion shall be permitted to sell such shares commencing six months after the Effective Date. During the three year period following the date of this Prospectus, the Underwriter shall have the right to purchase for the Underwriter's account or to sell for the account of such persons any securities sold by any of such persons in the open market.

The Underwriting Agreement provides that, for a period of three years from the date of this Prospectus, the Underwriter may send a non-voting representative to observe each meeting of the Board of Directors.

Prior to this Offering, there has been no public market for any of the Company's Common Stock. Accordingly, the initial public offering price of the Common Stock has been arbitrarily determined by negotiation

between the Company and the Underwriter and does not necessarily bear any relation to established valuation criteria. Factors considered in determining such price, in addition to prevailing market conditions, include an assessment of the prospects for the industry in which the Company competes, the Company's management and the Company's capital structure.

LEGAL MATTERS

The legality of the securities offered hereby will be passed upon for the Company by Kane Kessler, P.C., New York, New York. Graubard Mollen & Miller, New York, New York, has served as counsel to the Underwriter in connection with this Offering.

EXPERTS

The consolidated financial statements as of December 30, 1995, December 31, 1994 and January 1, 1994 and for each of the three years in the period ended December 30, 1995 included in this Prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein and elsewhere. Such consolidated financial statements have been included herein in reliance upon the reports of such firm given upon their authority as experts in auditing and accounting.

AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement under the Securities Act with respect to the Securities offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits thereto, certain portions having been omitted from this Prospectus in accordance with the rules and regulations of the Commission. For further information with respect to the Company, the securities offered by this Prospectus and such omitted information, reference is made to the Registration Statement, including any and all exhibits and amendments thereto. Statements contained in this Prospectus concerning the provisions of any documents filed as an exhibit are of necessity brief descriptions thereof and are not necessarily complete, and in each instance reference is made to the copy of the document filed as an exhibit to the Registration Statement, each such statement being qualified in its entirety by this reference.

Following the effectiveness of the Registration Statement, the Company will be subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith will file reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549; Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, New York, New York 10048. Copies of such material, including the Registration Statement, can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

The Company intends to furnish its stockholders with annual reports containing audited financial statements, quarterly reports containing unaudited financial information and such other periodic reports as the Company may determine to be appropriate or as may be required by law.

SPECIALTY CATALOG CORP.

CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 30, 1995 AND DECEMBER 31, 1994 AND FOR THE
THREE YEARS ENDED DECEMBER 30, 1995,
DECEMBER 31, 1994 AND JANUARY 1, 1993
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF
JUNE 29, 1996 AND FOR THE SIX MONTHS ENDED
JUNE 29, 1996 AND JULY 1, 1995, AND
INDEPENDENT AUDITORS' REPORT

SPECIALTY CATALOG CORP.

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INDEPENDENT AUDITORS' REPORT

The accompanying consolidated financial statements give effect to the completion of the 325.51-for-one split of the Company's outstanding common stock which will take place on the effective date of the offering. The following report is in the form which will be furnished by Deloitte & Touche on completion of the stock split of the Company's common stock described in Note 13 to the consolidated financial statements and assuming that from August 16, 1996 to the date of such completion no other material events have occurred that would affect the accompanying consolidated financial statements or required disclosure therein.

To the Board of Directors of
Specialty Catalog Corp.

We have audited the accompanying consolidated balance sheets of Specialty Catalog Corp. as of December 30, 1995 and December 31, 1994 and the related consolidated statements of operations and consolidated statements of stockholders' deficit and cash flows for the three years ended December 30, 1995, December 31, 1994 and January 1, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Specialty Catalog Corp. as of December 30, 1995 and December 31, 1994 and the results of its operations and its cash flows for the three years ended December 30, 1995, December 31, 1994 and January 1, 1994, in conformity with generally accepted accounting principles.

April 19, 1996 (except for Note 13,
for which the date is August 16, 1996)

New York, New York

SPECIALTY CATALOG CORP.

CONSOLIDATED BALANCE SHEETS

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	DECEMBER 31, 1994	DECEMBER 30, 1995	JUNE 29, 1996	PRO FORMA JUNE 29, 1996
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>

ASSETS				
Current assets:				
Cash	$ 946,280	$ 113,364	$ 864,176	$ 1,364,176
Accounts receivable, less allowance for doubtful accounts of $42,000, $160,000 and $51,000 at December 31, 1994, December 30, 1995 and June 29, 1996, respectively	579,148	1,367,929	1,138,469	1,138,469
Inventories	4,221,266	5,073,743	4,090,560	4,090,560
Prepaid expenses	3,174,543	3,462,818	3,586,891	3,586,891
Total current assets	8,921,237	10,017,854	9,680,096	10,180,096
Fixed assets:				
Property and equipment	3,787,949	3,982,348	4,118,407	4,118,407
Less accumulated depreciation and amortization	(3,011,164)	(3,040,751)	(3,178,992)	(3,178,992)
Total fixed assets	776,785	941,597	939,415	939,415
Deferred income taxes	7,130,175	6,779,356	6,779,356	6,779,356
Other assets	536,154	431,553	377,857	377,857
Total assets	$ 17,364,351	$ 18,170,360	$ 17,776,724	$ 18,276,724
LIABILITIES AND STOCK-HOLDERS' DEFICIT				
Current liabilities:				
Line of credit	$ --	$ 1,050,000	$ 1,450,000	$ 1,450,000
Accounts payable and accrued expenses	2,928,018	4,730,936	4,601,486	4,601,486
Liabilities to customers	1,267,752	755,902	630,800	630,800
Income taxes	111,450	81,945	232,930	232,930
Current portion of long-term debt	2,500,000	2,750,000	2,950,000	2,950,000
Total current liabilities	6,807,220	9,368,783	9,865,216	9,865,216
Long-term debt	11,500,000	8,750,000	7,450,000	7,450,000
Subordinated debt-related party	3,680,186	4,125,519	4,362,735	4,743,674
Other long-term liabilities	31,241	341,939	511,542	--
Commitments and contingencies				
Stockholders' deficit:				
13% preferred stock, $100 par value: 30,000 shares authorized; 22,491 shares issued and outstanding	2,249,100	2,249,100	2,249,100	
Common stock, $.01 par value: 10,000,000 shares authorized; 2,826,666 shares issued and outstanding at December 31, 1994	28,267			32,017
Class A common stock, $.01 par value; 16,000 shares authorized; 6,017.77 shares issued and outstanding at December 30, 1995	--	19,589	19,589	
Class B common stock, $.01 par value; 2,000 shares authorized; 1,332.94 shares issued and outstanding at December 30, 1995	--	4,339	4,339	

Class C common stock, $.01 par value; 2,000 shares authorized; 1,332.94 shares issued and outstanding at December 30, 1995.....	--	4,339	4,339	
Additional paid-in capital.....	4,934,157	4,641,774	4,495,586	7,534,289
Deferred compensation...	--	--	--	(162,750)
Note receivable--stockholder.....	(148,710)	(140,174)	(140,174)	(140,174)
Accumulated deficit.....	(11,717,110)	(11,194,848)	(11,045,548)	(11,045,548)
Total stockholders' deficit.....	(4,654,296)	(4,415,881)	(4,412,769)	(3,782,166)
Total liabilities and stockholders' deficit..	$ 17,364,351	$ 18,170,360	$ 17,776,724	$ 18,276,724

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See notes to consolidated financial statements.

SPECIALTY CATALOG CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

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	FISCAL YEAR ENDED			SIX MONTHS ENDED	
	JANUARY 1, 1994	DECEMBER 31, 1994	DECEMBER 30, 1995	JULY 1, 1995	JUNE 29, 1996
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	$33,801,265	$38,178,792	$42,568,120	$22,419,386	$18,754,741
Cost of sales (including buying, occupancy and order fulfillment costs).....	13,867,938	15,648,066	16,423,590	8,859,075	7,003,241
Gross profit.....	19,933,327	22,530,726	26,144,530	13,560,311	11,751,500
Operating expenses:					
Selling, general and administrative expenses.....	16,767,738	17,771,721	22,835,086	11,155,582	10,590,938
Restructuring charges.	--	--	512,943	512,943	--
Total operating expenses.....	16,767,738	17,771,721	23,348,029	11,668,525	10,590,938
Income from operations..	3,165,589	4,759,005	2,796,501	1,891,786	1,160,562
Interest expense--net...	(431,322)	(661,022)	(1,917,664)	(958,197)	(909,216)
Income before reorganization items, income taxes, cumulative effect of change in accounting principle and extraordinary item.....	2,734,267	4,097,983	878,837	933,589	251,346
Reorganization items....	1,037,979	2,889,707	--	--	--
Income before income taxes, cumulative effect of change in accounting principle and extraordinary item.	1,696,288	1,208,276	878,837	933,589	251,346
Income taxes.....	704,017	497,954	356,575	379,037	102,046

Income before cumulative effect of change in accounting principle and extraordinary item.	992,271	710,322	522,262	554,552	149,300
Cumulative effect of change in accounting for income taxes.....	8,985,122	--	--	--	--
Income before extraordinary item.....	9,977,393	710,322	522,262	554,552	149,300
Extraordinary item--gain on debt discharge--net of income taxes of $1,094,649.....	--	12,078,489	--	--	--
Net income.....	$ 9,977,393	$12,788,811	$ 522,262	$ 554,552	$ 149,300
Preferred Stock Dividends.....	--	(31,241)	(292,383)	(146,191)	(146,188)
Net income available to common shareholders.....	$ 9,977,393	$12,757,570	$ 229,879	$ 408,361	$ 3,112
Per common share					
Income before extraordinary items.....	$ 0.33	$ 0.22	$ 0.08	$ 0.13	$ 0.00
Income from cumulative effect.....	2.97	--	--	--	--
Net income per share....	$ 3.30	$ 4.22	$ 0.08	$ 0.13	$ 0.00
Weighted average shares outstanding.....	3,025,334	3,025,334	3,025,334	3,025,334	3,584,453

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See notes to consolidated financial statements.

SPECIALTY CATALOG CORP.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

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	COMMON STOCK		CLASS A		CLASS B		CLASS C		PREFERRED STOCK		ADDITIONAL PAID-IN
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 2, 1993.....	1,000,000	$ 10,000	--	$ --	--	$ --	--	$ --	--	$ --	$4,115,300
Net income.....	--	--	--	--	--	--	--	--	--	--	--
Balance, January 1, 1994.....	1,000,000	10,000	--	--	--	--	--	--	--	--	4,115,300
Cancellation of SC Corporation common shares in connection with reorganization and settlement of bankruptcy proceedings.....	(1,000,000)	(10,000)	--	--	--	--	--	--	--	--	10,000
Issuance of SC Corporation common shares in connection with reorganization and settlement of bankruptcy proceedings.....	868,365	8,684	--	--	--	--	--	--	--	--	859,681
Issuance of preferred stock.	--	--	--	--	--	--	--	--	22,491	2,249,100	--

Exchange of SC Corporation common shares for Specialty Catalog Corp. common shares at the rate of 1/100 share of Specialty Catalog Corp. stock for each share of SC Corporation common stock for one.....	1,958,301	19,583	--	--	--	--	--	--	--	--	(19,583)
Net income.....	--	--	--	--	--	--	--	--	--	--	--
Redeemable preferred stock dividends.....	--	--	--	--	--	--	--	--	--	--	(31,241)
Balance, December 31, 1994.....	2,826,666	28,267	--	--	--	--	--	--	22,491	2,249,100	4,934,157
Exchange of common shares for Class A, Class B, and Class C shares..	(2,826,666)	(28,267)	1,958,880	19,589	433,893	4,339	433,893	4,339	--	--	--
Net income.....	--	--	--	--	--	--	--	--	--	--	--
Redeemable preferred stock dividends.....	--	--	--	--	--	--	--	--	--	--	(292,383)
Balance, December 30, 1995.....	--	--	1,958,880	19,589	433,893	4,339	433,893	4,339	22,491	2,249,100	4,641,774
Net income (unaudited).....	--	--	--	--	--	--	--	--	--	--	--
Redeemable preferred stock dividends (unaudited).....	--	--	--	--	--	--	--	--	--	--	(146,188)
Balance, June 29, 1996 (unaudited).	--	$ --	1,958,880	$19,589	433,893	$4,339	433,893	$4,339	22,491	$2,249,100	$4,495,586

<CAPTION>

	ACCUMULATED DEFICIT
<S>	<C>
Balance, January 2, 1993.....	$(34,483,314)
Net income.....	9,977,393
Balance, January 1, 1994.....	(24,505,921)
Cancellation of SC Corporation common shares in connection with reorganization and settlement of bankruptcy proceedings.....	
Issuance of SC Corporation common shares in connection with reorganization and settlement of bankruptcy proceedings.....	
Issuance of preferred stock.	
Exchange of SC Corporation common shares	

for Specialty Catalog Corp. common shares at the rate of 1/100 share of Specialty Catalog Corp. stock for each share of SC Corporation common stock for one.....	
Net income.....	12,788,811
Redeemable preferred stock dividends.....	--
Balance, December 31, 1994.....	(11,717,110)
Exchange of common shares for Class A, Class B, and Class C shares..	
Net income.....	522,262
Redeemable preferred stock dividends.....	--
Balance, December 30, 1995.....	(11,194,848)
Net income (unaudited).....	149,300
Redeemable preferred stock dividends (unaudited).....	--
Balance, June 29, 1996 (unaudited).	$(11,045,548)

</TABLE>

See notes to consolidated financial statements.

SPECIALTY CATALOG CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			SIX MONTHS ENDED	
	JANUARY 1, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	JUNE 29, 1996	JULY 1, 1995
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	$ 9,977,393	$ 12,788,811	$ 522,262	$ 149,300	$ 554,552
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Interest paid through issuance of debt.....	--	--	445,333	237,216	211,611
Depreciation and amortization.....	776,440	748,628	249,127	141,536	116,878
Deferred income taxes.	415,004	1,439,943	350,819	--	--
Cumulative effect of change in accounting					

for income taxes.....	(8,985,122)	--	--	--	--
Changes in operating assets and liabilities:					
Accounts receivable..	(196,662)	155,040	(788,781)	229,460	(287,647)
Inventories.....	(1,145,222)	(817,280)	(852,477)	983,183	4,714
Prepaid expenses.....	(1,600,109)	(120,628)	(288,275)	(124,073)	(1,358,709)
Other assets.....	(205,745)	(383,072)	104,935	53,122	57,528
Accounts payable and accrued expenses....	1,818,219	(1,944,118)	1,802,918	(129,450)	1,265,962
Liabilities to customers.....	(159,141)	141,645	(511,850)	(125,102)	(484,900)
Income taxes.....	(79,971)	(43,077)	(29,505)	150,985	337,984
Other long-term liabilities.....	--	--	18,315	23,415	5,422
Change due to reorganization activities:					
Extraordinary gain on debt discharge.....	--	(13,173,138)	--	--	--
Net cash provided by (used in) operating activities.....	615,084	(1,207,246)	1,022,821	1,589,592	423,395
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment.....	(268,037)	(447,919)	(413,146)	(138,780)	(206,639)
Repayments of note receivable.....	--	--	7,409	--	--
Net cash used in investing activities.....	(268,037)	(447,919)	(405,737)	(138,780)	(206,639)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Issuance of common stock.....	--	827,042	--	--	--
Issuance of redeemable preferred stock.....	--	2,142,840	--	--	--
Settlement of long-term obligations.....	--	(20,237,480)	--	--	--
Issuance of long-term debt.....	--	17,680,186	--	--	--
Repayments of notes payable.....	--	--	(2,500,000)	(1,100,000)	(500,000)
Advances on line of credit.....	2,972,147	--	1,050,000	400,000	--
Net cash provided by (used in) financing activities.....	2,972,147	412,588	(1,450,000)	(700,000)	(500,000)

</TABLE>

See notes to consolidated financial statements.

SPECIALTY CATALOG CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			SIX MONTHS ENDED	
	JANUARY 1, 1993	DECEMBER 31, 1994	DECEMBER 30, 1995	JUNE 29, 1996	JULY 1, 1995
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM REORGANIZATION ACTIVITIES:					

Decrease in obligations subject to settlement under reorganization proceedings.....	$(1,495,935)	$ --	$ --	$ --	$ --
Increase (decrease) in cash.....	1,823,259	(1,242,577)	(832,916)	750,812	(283,244)
Cash, beginning of year.	365,598	2,188,857	946,280	113,364	946,280
Cash, end of year.....	$ 2,188,857	$ 946,280	$ 113,364	$ 864,176	$ 663,036
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:					
Cash paid during the year for:					
Interest.....	$ 382,754	$ 493,624	$ 1,533,826	$ 592,851	$ 712,748
Income taxes.....	$ 316,837	$ 174,735	$ 35,261	$ 42,669	$ 41,053

</TABLE>

SUMMARY OF NONCASH TRANSACTIONS:

During the six-month periods ended June 29, 1996 and July 1, 1995 and the year ended December 30, 1995, the Company issued $237,216, $211,611 and $445,333 of subordinated debt in lieu of payment of interest.

During the six-month periods ended June 29, 1996 and July 1, 1995 and the years ended December 30, 1995 and December 31, 1994, the Company declared dividends on preferred stock of $146,188, $146,191, $292,383 and $31,241 which have not been paid at June 29, 1996.

In 1994 the Company issued a note receivable in the amount of $147,583 in exchange for common and preferred stock.

See notes to consolidated financial statements.

SPECIALTY CATALOG CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 30, 1995, DECEMBER 31, 1994 AND JANUARY 1, 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Business--Specialty Catalog Corp. ("Company") is a direct marketer targeting niche consumer product categories, including women's wigs and hairpieces and continuing education courses for nurses, real estate professionals and Certified Public Accountants.

b. Principles of Consolidation--The accompanying consolidated financial statements include the accounts of the Company and its subsidiary SC Corporation, doing business under the name SC Direct, and SC Corporation's wholly-owned subsidiary SC Publishing. All material intercompany balances and transactions have been eliminated in consolidation.

c. Pro Forma Balance Sheet--The June 29, 1996 pro forma balance sheet gives effect to the conversion of 13% Preferred Stock ("13% Preferred Stock") into 375,000 shares of common stock, the waiver of all accrued dividends and interest on the 13% Preferred Stock, the issuance of the stock options described in note 13 and the issuance of debt and related warrants also described at note 13.

d. Accounts Receivable--The Company records an allowance to provide for uncollectible accounts receivable. In 1995 and 1994 the Company had write-offs of accounts receivable against this allowance of $34,221 and $34,180, respectively. Bad debt expense for the years ended December 30, 1995, December 31, 1994 and January 1, 1994 was $146,004, $34,180, and $26,004, respectively.

e. Accounting Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Inventories--Inventories are stated at the lower of first-in, first-out cost or market.

g. Prepaid and Deferred Expenses--Catalog production and mailing costs included in prepaid expenses are amortized over their related revenue stream. Catalog production and related mailing costs that result in probable future economic benefit are amortized over two-month to four-month periods following the mailing of the catalogs to customers based on historical response rates.

h. Property and Equipment--Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Amortization is computed on the straight-line method over the lesser of the estimated useful lives of the related assets or the lease terms.

i. Other Assets--Trademarks are stated at cost less accumulated amortization. Amortization is computed on a straight-line basis over 37 years. At December 31, 1995 and 1994, the Company had $33,870 and $21,482 of unamortized trademarks included in other assets.

Deferred financing costs which were incurred by the Company in connection with the Banque Nationale de Paris ("BNP") note (Note 5) are charged to operations as additional interest expense over the life of the underlying indebtedness.

j. Income Taxes--In 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires that deferred income taxes be determined based on the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities. A valuation allowance is recorded when realization of a deferred tax asset is not assured. In connection with the adoption of this statement, the Company recognized a cumulative effect of $8,985,122 in 1993.

k. Revenue--The Company recognizes sales and the related costs of sales at the time the merchandise is shipped to customers. The Company allows for merchandise returns at the customer's discretion within the period stated in the Company's sales policy. An allowance is provided for returns based on estimated merchandise returns.

l. Fair Value of Financial Instruments--SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of financial instruments, both assets and liabilities recognized and not recognized in the consolidated balance sheet of the Company, for which it is practicable to estimate fair value. The estimated fair value of financial instruments which are presented herein have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable, and line of credit approximate their carrying values at December 30, 1995, due to the short-term maturities of these investments. The carrying value and fair value of the Company's note receivable at December 30, 1995 was $140,174. The fair value of the note receivable is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with

similar credit ratings and for the same remaining maturities. The fair value of the Company's long-term debt at December 30, 1995 was $15,636,397. The carrying value of the Company's long term debt at December 30, 1995 was $15,625,519. The fair value of the Company's long-term debt is based on discounted future cash flows using current interest rates for financial instruments with similar characteristics and maturity.

m. Net Income Per Share--Net income per share is calculated using the weighted average number of common shares outstanding during each of the periods retroactively restated to give effect to the 325.51-for-one stock split.

n. Newly Adopted Accounting Statements--In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which was effective for the Company beginning January 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on fair value of the equity instruments awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock-based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share.

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles which are to be disposed of. The adoption of this statement had no effect on the financial position, or results of operations or cash flows of the Company.

o. Fiscal Year--The Company is on a 52/53 week fiscal year, ending on the Saturday closest to December 31. The fiscal years ended December 30, 1995, December 31, 1994 and January 1, 1994 consisted of 52 weeks.

p. Reclassifications--Certain amounts in the 1993 and 1994 financial statements have been reclassified to conform to the 1995 presentation.

q. Unaudited Financial Statements--In the opinion of management of the Company, the accompanying unaudited financial statements reflect all adjustments which were of a normal recurring nature necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the six months ended June 30, 1996 and June 30 1995.

2. CORPORATE ORGANIZATION AND BANKRUPTCY PROCEEDINGS

On December 28, 1992, SC Corporation and its subsidiaries Wigs by Paula, Inc. ("Wigs"), Western Schools, Inc., the predecessor of SC Publishing, After the Stork, Inc. ("Stork") and Brotman Acquisition Corp. ("Brotman") filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy") in the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division ("Bankruptcy Court"). From that date until November 23, 1994, SC Corporation operated its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court. During that period, the Company did not pay $1,030,757 and $1,688,592 of contractual interest for the years ended December 31, 1994 and January 1, 1994 while under the protection of Bankruptcy.

SC Corporation's Disclosure Statement with respect to the First Amended and Restated Joint Plan of Reorganization of SC Corporation and its subsidiaries Wigs and SC Publishing ("Plan of Reorganization") was approved by the Bankruptcy Court on September 21, 1994. The Plan of Reorganization was subsequently confirmed by the Bankruptcy Court on October 26, 1994 and the reorganization of SC Corporation was consummated on November 23, 1994.

The Plan of Reorganization provided for the payment of $15,508,726 in cash, $1,673,453 in subordinated notes, 10,227 shares of preferred stock valued at

$1,022,700 and 295,121 shares of common stock valued at $295,121 in settlement of $24,102,851 of secured claims, and $3,345,066 in cash, $354,247 in subordinated notes, 2,164 shares of preferred stock valued at $216,400 and 179,353 shares of common stock valued at $179,353 in settlement of $11,665,353 of unsecured claims. The gain on such discharge of pre-petition claims has been recorded as an extraordinary item, net of income taxes of $1,094,649. The Company funded the Plan of Reorganization by selling additional shares of common stock ("Common Stock") and 13% Preferred Stock, entering into a new senior credit facility, and issuing subordinated notes ("Subordinated Notes"). Subsequent to the consummation of the reorganization, certain stockholders of the Company purchased the subordinated notes and 13% Preferred Stock from the holder of the secured claims at their face values and the common stock from the holders of the secured and unsecured claims at its fair market value.

Reorganization items consist of the following:

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
Interest income	$ 103,308	$ 24,473
Professional fees	(2,133,117)	(1,062,452)
Executive and employee compensation	(533,840)	--
Other	(326,058)	--
	$(2,889,707)	$(1,037,979)

</TABLE>

The Company was incorporated on November 30, 1994 for the purpose of becoming the parent company of SC Corporation. On that date, the Company issued 2,826,666 shares of its Common Stock ("Common Stock") and 22,491 shares of 13% Preferred Stock to the stockholders of SC Corporation in exchange for their shares of SC Corporation Common Stock and 13% Preferred Stock.

3. PREPAID EXPENSES

Prepaid expenses at December 30, 1995 and December 31, 1994 consists of the following:

<TABLE>
<CAPTION>

	1995	1994
<S>	<C>	<C>
Deferred catalog costs	$2,320,261	$1,747,152
Prepaid advertising	825,064	1,068,566
Other	317,493	358,825
	$3,462,818	$3,174,543

</TABLE>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 30, 1995 and December 31, 1994:

<TABLE>
<CAPTION>

	USEFUL LIFE	1995	1994
<S>	<C>	<C>	<C>
Furniture and equipment	7 years	$ 1,139,016	$ 1,326,389
Data processing equipment	5 years	2,734,186	2,363,330
Leasehold improvements	(i)	109,146	98,230

</TABLE>

	3,982,348	3,787,949
Less accumulated depreciation and amortization	(3,040,751)	(3,011,164)
	$ 941,597	$ 776,785

(i) Lesser of the estimated useful lives of the related assets or the lease term.

5. LONG-TERM DEBT

Long-term debt consists of the following at December 30, 1995 and December 31, 1994:

	1995	1994
Banque Nationale de Paris Term Advance, Prime Rate plus 2% or Eurodollar Rate plus 3.5%, payable quarterly in amounts between $500,000 and $1,500,000 through May 22, 1999	$11,500,000	$14,000,000
SC Holdings LLC Subordinated Note, 11.5%, payable November 22, 2002	3,680,186	3,680,186
SC Holdings LLC PIK Note, 11.5%, payable November 22, 2002	445,333	--
	15,625,519	17,680,186
Less current portion	2,750,000	2,500,000
	$12,875,519	$15,180,186

The Credit Agreement between "BNP" and the Company ("Agreement") has covenants which prohibit the payment of cash dividends on the Company's Common Stock and 13% Preferred Stock and any principal or interest payments on the Subordinated Notes and require that various financial limits and ratios be maintained. In addition, the Agreement requires an annual prepayment of outstanding principal equal to 75% of the Company's excess cash flow, as defined. Each prepayment reduces pro rata the remaining scheduled Term Advance principal payments.

The Agreement is secured by all assets of the Company and its subsidiaries. In addition, the Company has pledged the shares of common stock of SC Corporation, and SC Holdings LLC ("Holdings") has pledged its subordinated note, to BNP as additional collateral, and the Company, its subsidiaries, (except Stork and Brotman) and Holdings each have jointly, severally and unconditionally guaranteed the borrowings under the Agreement, up to a certain percentage of each guarantor's adjusted net assets, as defined. The Agreement also provides the Company with a line of credit up to $2,000,000 for working capital and letters of credit. The line of credit may be automatically and permanently reduced each year by a portion of the Company's excess cash flow, as defined. The Company had $1,050,000 and $0 outstanding under the line of credit and $536,000 and $2,000,000 available under the line of credit at December 30, 1995 and December 31, 1994. Borrowings under the line of credit were at the prime rate plus 2%, which was 10.5% at December 30, 1995 due within three months are at the three-month Eurodollar rate plus 3.5% while the remainder of the borrowings are at the six-month Eurodollar rate plus 3.5%. Borrowings under the term advance at December 30, 1995 due within three months are at the three-month Eurodollar rate plus 3.5% while the remainder of the borrowings are at the six-month Eurodollar rate plus 3.5%. Such Eurodollar rates were 9.38% and 9.19%, respectively.

The Company is obligated to pay various fees under the Agreement, including an unused line of credit fee of 1/2 of 1% of the unused amount under the line.

Holdings is a limited liability company whose stockholders own all the issued and outstanding shares of 13% Preferred Stock of the Company and certain of the issued and outstanding shares of Common Stock of the Company.

The Company may, at its option through November 22, 1999, and, under certain conditions, through November 22, 2002, pay interest on the Subordinated Notes by issuing additional Subordinated Notes with identical terms and conditions with an aggregate principal amount equal to the amount of interest then payable. In 1995, the Company issued $445,333 of additional Subordinated Notes as payment of interest for the period November 1994 through December 1995.

The aggregate maturities of long-term debt after December 30, 1995 are as follows:

<TABLE>
<CAPTION>

FISCAL YEAR	AMOUNT
<S>	<C>
1996	$ 2,750,000
1997	3,250,000
1998	3,750,000
1999	1,750,000
2000	--
2001 and thereafter	4,125,519
	$15,625,519

</TABLE>

As described in Note 13, the Company intends to have a public offering of its common shares in late 1996 in order to pay down its outstanding debt. In the event that this offering is not successful, the Company believes that its present cash flows from operations are sufficient in order to meet the above debt service requirements, however, if necessary, the Company has the intent and ability to refinance.

6. PREFERRED STOCK

On November 30, 1994, the Company issued 22,491 shares of 13% Preferred Stock.

The 13% Preferred Stock dividends are cumulative and payable quarterly at the end of each calendar quarter. In addition to the Credit Agreement's prohibition of the payment of cash dividends on the Company's

Common Stock and 13% Preferred Stock, the Company may not pay any dividends on any class of its capital stock other than the 13% Preferred Stock or purchase, redeem or otherwise acquire any shares of any class of its capital stock so long as there are any accrued but unpaid dividends on any shares of the 13% Preferred Stock. At December 30, 1995, there were $323,624 of cumulative 13% Preferred Stock dividends in arrears, which is included in other long-term liabilities.

Prior to 1995, the Company had to redeem all the outstanding shares of 13% Preferred Stock on November 30, 2004 at a price equal to the par value of the outstanding shares plus any accrued but unpaid dividends ("Redemption Price"). In 1995, the Board and 13% Preferred Stock shareholders elected to amend the Company's charter by removing the mandatory redemption provision of the 13% Preferred Stock. In addition, at any time prior to November 30, 2004, the Company may, at its option, redeem any or all shares of the 13% Preferred Stock at the Redemption Price.

The holders of the 13% Preferred Stock have no voting rights except as provided by law.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the 13% Preferred Stock shall be entitled to receive the Redemption Price before any distribution shall be made

to holders of Common Stock or other capital stock of the Company. If the assets of the Company at such time are insufficient to pay such amounts, such assets shall be distributed pro rata to the holders of the 13% Preferred Stock.

7. COMMON STOCK

a. Issuance of Common Stock--As part of the Company's reorganization and settlement of its bankruptcy proceedings, on November 23, 1994 SC issued 868,365 shares of Common Stock and canceled 1,000,000 shares of old common stock that had been issued prior to the date that SC Corporation filed for reorganization under Chapter 11. On November 30, 1994, the stockholders exchanged their shares of SC Corporation common stock for the Company's Common Stock at the rate of approximately 100 shares of SC Corporation's common stock for each share of the Company's Common Stock.

In 1995, the Company's Board of Directors and holders of common stock elected to recapitalize the common stock into three classes, Class A, Class B and Class C. Holders of Class A shares are entitled to one vote per share while holders of Class B and Class C shares are entitled to one-half vote per share and one and one-half votes per share, respectively. All dividend and liquidation rights remain unchanged. Upon sale, disposition or other transfer of any share(s) of Class B common stock by the original holder thereof, (i) such share(s) shall automatically and immediately convert into an equal number of shares of Class A common stock, and (ii) an equal number of shares of Class C common stock shall automatically and immediately convert into an equal number of shares of Class A common stock. All shareholders received one share of Class A for each share of common with the exceptions of one shareholder who received one-half of share of Class A and one-half share of Class B for each share of common and another shareholder who received one-half share of Class A and one-half share of Class C for each share of common.

b. Shareholders' Agreement--All holders of Common Stock and options to purchase Common Stock are parties to a Shareholders' Agreement dated November 30, 1994 which (i) prohibits the sale, pledge, transfer or disposal of shares of common stock prior to the earlier of November 24, 1997 or the date on which the Company shall have fully utilized its Federal income tax net operating loss carryovers ("Ownership Change Date") and (ii) restricts the sale, pledge, transfer or disposal of shares of Common Stock subsequent to the Ownership Change Date by granting to the other holders of shares of common stock the right of first refusal on any bona fide offer to purchase common shares. The Shareholders' Agreement terminates on the earliest

of (i) the date of dissolution or liquidation of the Company, (ii) such time as any one shareholder or other person owns all the shares of Common Stock, (iii) the date of the consummation of a public offering of Common Stock under the Securities Act of 1933 ("Act") or (iv) such time as all the parties to the Shareholders' Agreement elect to terminate such agreement.

c. Registration Rights Agreement--The Company and all holders of Common Stock are parties to a Registration Rights Agreement dated November 30, 1994 which requires the Company, if it proposes to file a registration statement with respect to its Common Stock under the Act, to give all holders of Common Stock the opportunity to include their shares in such registration. In addition, the Registration Rights Agreement requires the Company, upon request from either of its major shareholders, to use its best efforts to effect the registration under the Act of the shares of such major stockholder and (i) to notify all other holders of common stock of such major stockholder's request, and (ii) to use its best efforts to effect the registration under the Act of the shares of all other shareholders who desire such registration.

d. Stock Option Agreements--On November 30, 1994, the Company granted a total of 582,999 options to purchase shares of common stock to two executive officers. The exercise price of the options is $0.3072 per share. At December 30, 1995 and December 31, 1994, 60,618 and 30,309 options were vested, respectively. The remaining options vest over varying periods, with 143,530 options ("Vesting Options") vesting between November 23, 1996 and

November 23, 1997, and 378,851 options ("Performance Options") vesting on November 1, 2003. The Performance Options may vest earlier than November 1, 2003 if certain earnings or internal rate of return thresholds are met.

8. RESTRUCTURING CHARGES

During 1995, the Company restructured by consolidating its operations to one location in order to reduce costs and utilize resources more efficiently. Specifically, restructuring charges include:

Office Closure Costs	$212,860
Employee Severances	300,083
Total	$512,943

Actual termination benefits paid in 1995 totaled $214,007. Included in accrued expenses at December 30, 1995 are accrued restructuring related charges of $151,976.

9. INCOME TAXES

The provision for income taxes consists of the following at December 30, 1995 and December 31, 1994:

	1995	1994	1993
Current:			
Federal	$ --	$ 5,046	$ --
State	5,756	147,614	289,013
	5,756	152,660	289,013
Deferred:			
Federal	298,196	293,500	352,753
State	52,623	51,794	62,251
	350,819	345,294	415,004
Total	$356,575	$497,954	$704,017

Deferred income tax assets and liabilities consist of the following at December 30, 1995 and December 31, 1994:

	1995	1994
Deferred income tax assets:		
Net operating loss carryforwards	$7,229,484	$7,726,848
Operating reserves	200,165	983,769
Inventory	226,990	106,103
Other	5,044	5,046
	7,661,683	8,821,766
Deferred income tax liabilities:		
Extraordinary gain on debt discharge	--	1,094,649
Deferred catalog costs	850,259	551,271
Other	32,068	45,671

	882,327	1,691,591
Net deferred income tax asset	$6,779,356	$7,130,175

Reconciliation of the statutory Federal income tax rate and the effective rate of the provision for income taxes for the years ended December 30, 1995, December 31, 1994 and January 1, 1994 is as follows:

	1995	1994	1993
Statutory Federal income tax rate	34.0%	34.0%	34.0%
State taxes, net of Federal income tax benefits	6.6	7.2	7.5
	40.6%	41.2%	41.5%

The Company has recorded a deferred tax asset of $6,779,356 reflecting the benefit of $18,073,209 of net operating loss carryforwards which expire in varying amounts between 2005 and 2010. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized.

The use of the net operating losses may be subject to certain limitations upon a change in control of the Company.

10. RELATED PARRY TRANSACTIONS

The Company has a note receivable from a stockholder in the amount of $140,174 at December 30, 1995. The note bears interest at 9.25% and is repayable in varying annual installments between December 31, 1996 and December 31, 1999.

The note was issued in November 1994 in exchange for shares of Common Stock and 13% Preferred Stock and is collateralized by 18,365 shares of Common Stock, 490 shares of 13% Preferred Stock and $80,186 of Subordinated Notes.

11. COMMITMENTS AND CONTINGENCIES

a. Operating Leases--The Company leases certain administrative, warehousing and other facilities and equipment under operating leases. The following is a schedule of future minimum rental payments under noncancelable operating leases as of December 30, 1995:

YEAR	AMOUNT
1996	$193,500
1997	31,168
	$224,668

Management expects that, in the normal course of business, expiring leases will be renewed or replaced by other leases. Rent expense under operating leases for the year ended December 30, 1995, December 31, 1994 and January 1, 1994 was $438,450, $569,212 and $562,907, respectively.

b. Employment and Bonus Agreements--The Company has employment and bonus agreements with two executive officers through December 31, 1999. The

Company's salary commitment under these agreements aggregates $2,060,000 at December 30, 1995 as follows:.

<TABLE>

<S>	<C>
1996	$ 485,000
1997	505,000
1998	525,000
1999	545,000
	$2,060,000

</TABLE>

In addition, the two executive officers may earn certain other bonuses based on the Company's achievement of certain operating criteria.

12. EMPLOYEE BENEFIT PLANS

The Company maintains a qualified defined contribution plan, under the provisions of Section 401(k) of the Internal Revenue Code, covering substantially all employees. Under the terms of the plan, eligible employees may make contributions up to 15% of pay, subject to statutory limitations. Contributions not exceeding 5% of an employee's pay are matched 40% by the Company. The Company may, at its discretion, make an additional year-end contribution. Employee contributions are always fully vested. Company contributions vest 20% for each completed year of service, becoming fully vested after five years of service. Matching contributions by the Company under the plan were $67,188, $59,594 and $47,520 in 1995, 1994 and 1993, respectively. No discretionary contributions have been made to the plan.

The Company established a supplemental defined contribution plan in 1994 that covers certain employees. Under the terms of the plan, these employees may elect to defer up to 50% of any bonus paid for that year. The Company matches 100% of all amounts deferred. In addition, the Company pays interest on all outstanding balances at the prime rate but not in excess of 12%. A participant's rights to the deferred amount of regular bonus and income thereon shall be fully vested and nonforfeitable at all times. A participant's right to the Company's match shall become fully vested and nonforfeitable in cumulative increments of 20% on each of the first through fifth anniversaries of the bonus date for that year. The total cost of the plan to the Company was $0, $65,000 and $0, in 1993, 1994 and 1995, respectively. The $65,000 contributed in 1994 initiated the plan.

13. SUBSEQUENT EVENTS

On June 1, 1996, the Company entered into an agreement with a director and two associates of the director to issue a junior subordinated note for $495,000 payable on November 22, 2002 and bearing interest at 11.5%. In connection with the issuance of this note, the Company agreed to issue a warrant for $5,000 to purchase 265,335 shares of Class A common stock for an aggregate exercise price of $500,000 ($1.8844 per share). The warrant expires on September 30, 1999. The note and related warrants were issued on August 12, 1996. The note has been discounted using an effective interest rate of 21.5%, which represented the Company's borrowing rate for junior subordinated debt at the date of the transaction. The remainder of the value representing $114,061 was assigned to the warrants.

In July 1996, the Company signed a letter of intent with an underwriter for an initial public offering of 1.25 million shares of the Company's Common Stock. At the effective date of the offering, the Company will increase the number of authorized shares of Common Stock from 20,000 to 10,000,000 and preferred stock from 30,000 to 1,000,000 and effect a 325.51-for-one split. The effect of the stock split will be to transfer $19,583 representing the par value of the additional shares issued from additional paid in capital to Common Stock. All numbers of common shares and per share data in the accompanying consolidated financial statements have been retroactively adjusted to effect the stock split. Immediately after the stock split, all outstanding shares of preferred stock will be converted into 375,000 shares of

Common Stock. All accumulated dividends and accrued interest on those dividends through the date of the offering have been irrevocably waived by the 13% Preferred Stockholders as of August 13, 1996. In addition, at the date of the offering, the Company will adopt the 1996 Stock Option Plan ("Plan"). It is anticipated that 500,000 authorized but unissued shares of Common Stock will be reserved for issuance under the Plan. The per share exercise price of options granted under the Plan will be not less than 100% of the fair market value of a share of the Company's Common Stock on the date of the grant.

In August 1996, the Company amended its Credit Agreement with BNP. This amendment included revisions of certain financial limits and ratios that must be maintained by the Company and is retroactive to December 31, 1995.

In August 1996, the Board of Directors granted a total of 175,000 options to purchase shares of Common Stock to two executive officers contingent on the occurrence of the offering. The exercise prices of the options are 75,000 options at $5.33 per share and the remainder of the shares at the initial public offering price. The options vest equally over five years subject to acceleration under certain contingencies.

14. PRO FORMA AND SUPPLEMENTAL EARNINGS PER SHARE (UNAUDITED)

Pro forma earnings per share of the Company give effect to the conversion of all preferred stock into 375,000 Common Shares, and the exercise of options to purchase 657,999 shares of Common Stock more fully described in Notes 7 and 13. Historical net income has been adjusted to give effect to the elimination of accrued dividends on the 13% Preferred Stock. Pro forma earnings per share for the periods ended December 30, 1995 and June 29, 1996 are as follows:

<TABLE>
<CAPTION>

	DECEMBER 30, 1995	JUNE 29, 1996
<S>	<C>	<C>
Pro forma earnings per share.....	$0.14	$0.04

</TABLE>

Supplemental pro forma earnings per share gives effect to the number of shares necessary for the Company to sell at a purchase price of $7.50 per share less the Underwriters' discount, to raise sufficient proceeds (net of estimated offering expenses) to retire $5,900,000 of the Company's indebtedness to the BNP. The number of supplemental pro forma shares outstanding also gives effect to the conversion of all shares of 13% Preferred Stock for 375,000 of Common Stock, the exercise of a warrant for 265,335 shares of Common Stock (See note 13) and the exercise of options for 657,999 shares of Common Stock (See notes 7 and 13). Historical net income has been adjusted to give effect to the reduction of interest expense on the BNP indebtedness as a result of repayment of such debts, and to the elimination of accrued dividends on the preferred stock and any interest expense accrued on unpaid accumulated dividends. Supplemental pro forma earnings per share for the periods ended December 30, 1995 and June 29, 1996 are as follows:

<TABLE>
<CAPTION>

	DECEMBER 30, 1995	JUNE 29, 1996
<S>	<C>	<C>
Supplemental pro forma earnings per share.....	$0.17	$0.06

</TABLE>

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY THE UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SECURI-

TIES OFFERED BY THIS PROSPECTUS, OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IS UNLAWFUL. THE DELIVERY OF THIS PROSPECTUS SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS.

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<TABLE>
<CAPTION>

</TABLE>

UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS OR WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

1,250,000 SHARES

LOGO

SPECIALTY CATALOG CORP.

COMMON STOCK

PROSPECTUS

LOGO

, 1996

PART II

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the Company's estimates of the expenses to be incurred by it in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions:

Securities and Exchange Commission registration fee	$ 4,344.83
NASD registration fee	1,760.00
Nasdaq listing fee	31,718.00
Printing registration statement and other documents	100,000.00*
Fees and expenses of Registrant's counsel	200,000.00*
Underwriter's expense allowance	234,375.00*
Accounting fees and expenses	75,000.00*
Blue Sky expenses and counsel fees	25,000.00*
Engraving	5,000.00*
Miscellaneous	47,802.17*
Total	$725,000.00

* Estimated

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of Delaware, as amended ("DGCL"), authorizes a Delaware corporation to indemnify its officers, directors, employees and agents against expenses and liabilities incurred in legal proceedings involving such persons because of their holding or having held such positions with the corporation and to purchase and maintain insurance for such indemnification. The Company's By-Laws and Article Seventh of its Certificate of Incorporation, as amended, substantively provide that the Company indemnify its officers, directors, employees and agents to the fullest extent permitted by Section 145 of the DGCL.

In accordance with Section 102(b)(7) of the DGCL, Article 8 of the Company's Certificate of Incorporation, as amended, eliminates the personal liability of directors to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director with certain limited exceptions set forth in Section 102(b)(7).

The Underwriting Agreement provides for reciprocal indemnification between the Company and its controlling persons on the one hand and the Underwriters and their respective controlling persons on the other hand against certain liabilities in connection with this Offering, including liabilities under the Securities Act of 1933, as amended ("Securities Act").

The Company has also entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements provide that the directors and executive officers will be indemnified to the fullest extent permitted by applicable law against all expenses (including attorneys' fees), judgments, fines and amounts reasonably paid or incurred by them for settlement in any threatened, pending or completed action, suit or proceeding, including any derivative action, on account of their services as a director or officer of the Company or of any subsidiary of the Company or of any other company or enterprise in which they are serving at the request of the Company. No indemnification will be provided under the indemnification agreements, however, to any director or executive officer in certain limited circumstances, including on account of knowingly fraudulent, deliberately dishonest or willful misconduct. To the extent the provisions of the indemnification agreements exceed the indemnification permitted by applicable law, such provisions may be unenforceable or may be limited to the extent they are found by a court of competent jurisdiction to be contrary to public policy.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Described below is information regarding all securities that have been

issued by the Company in the past three years.

1. On November 23, 1994, SC Corporation, a predecessor of the Company, pursuant to the First Amended and Restated Joint Plan of Reorganization of SC Corporation, Wigs by Paula, Inc., and SC Publishing, undertook a reorganization ("Reorganization") and left the protection of the bankruptcy court. As part of the Reorganization, on November 23, 1994, SC Corporation issued 868,365 shares of new common stock and canceled 1,000,000 shares of old common stock that had been issued prior to the date that SC Corporation filed for Reorganization under Chapter 11 of the Bankruptcy Code. In addition, as part of this transaction, the Company issued to certain stockholders $3,680,000 of subordinated indebtness, ("Subordinated Indebtness"). The Subordinated Indebtness bears interest at 11.5% per annum and is due on December 1, 2002. The issuance of the shares and the Subordinated Indebtness was exempt from the registration provisions of the Securities Act pursuant to Section 3(a)(7) of the Securities Act.

2. On November 30, 1994, all of the outstanding shares of SC Corporation common stock were exchanged for shares of Common Stock and 13% Preferred Stock at the rate of 1/100 share of the Company's common stock for each outstanding share of SC Corporation common stock. The forgoing transactions were exempt from the registration provisions of the Securities Act pursuant to Section 4(2)(a) of the Securities Act.

The following table sets forth the number of shares of the Company's Common Stock and the amount of subordinated indebtness each stockholder received pursuant to the Reorganization. The numbers of shares owned and the conversion of the 13% Preferred Stock into Common Stock reflect a recapitalization of the Company whereby each share of Preferred Stock was converted into 16.67 shares of Common Stock.

<TABLE>
<CAPTION>

NAME	COMMON STOCK SHARES ISSUED	PREFERRED SHARES ISSUED	AMOUNT OF SUBORDINATED INDEBTNESS
<S>	<C>	<C>	<C>
Steven L. Bock.....	303.93	0	--
Bruce Pollack.....	121.57	0	--
Wigs, L.P.....	260.51	675	$ 110,406
Dickstein & Co., L.P..... 9 West 57th Street New York, NY 10019	2,665.88	7,272	$1,189,926
Dickstein International Limited... 9 West 57th Street New York, NY 10019	1,332.94	3,636	$ 594,964
Viking Holdings Limited..... c/o Abacus Secretaries (Jersey) Limited La Motte Chambers St. Helier, Jersey JE1 1BS Channel Islands	3,998.82	10,908	$1,784,390

</TABLE>

3. Mark Brodsky and Samuel Katz acquired their shares of Common Stock and 13% Preferred Stock as set forth in the following table in February 1996 from Dickstein International. The transaction was exempt from the registration requirements of the Securities Act pursuant to the so-called "Section 4 (1 1/2)" exemption. The following table sets forth the number of shares of common stock and 13% Preferred each stockholder received. The numbers of shares owned and the conversion of the 13% Preferred Stock into Common Stock reflect a recapitalization of the Company whereby each share of Preferred Stock was converted into 16.67 shares of Common Stock.

<TABLE>
<CAPTION>

COMMON

NAME	STOCK ISSUED	PREFERRED STOCK ISSUED
<S>	<C>	<C>
Mark Brodsky	122.07	332.98
Samuel Katz	244.14	665.96

</TABLE>

4. On June 1, 1996, the Company entered into an agreement with Martin Franklin, a director of the Company, and two associates of Mr. Franklin, pursuant to which Mr. Franklin and his associates loaned the Company $495,000 in junior subordinated indebtedness. This loan was made on August 9, 1996, bears interest at 11.5%, and is due August 9, 1999, provided that this loan will not be repaid prior to the repayment of the Subordinated Indebtedness. In connection with this loan, the Company has issued for $5,000 to Mr. Franklin and his associates warrants to purchase 265,335 shares of Common Stock. The warrants are exercisable until September 30, 1999 at an exercise price of $1.88 per share.

The above transactions were private transactions not involving a public offering and were exempt from the registration provisions of the Securities Act pursuant to Section 4(2) thereof.

5. On August 1, 1996, Dickstein Focus Fund acquired 366.17 shares of Common Stock from Dickstein & Co., L.P. The transaction was exempt from the registration requirements of the Securities Act pursuant to the so-called "Section 4 (1 1/2)" exemption.

No underwriter was engaged in connection with the foregoing sales of securities. The Company has reason to believe that all of the foregoing purchasers were familiar with or had access to information concerning the operations and financial conditions of the Company, and all of those individuals purchasing securities represented that they were accredited investors, acquiring the shares for investment and without a view to the distribution thereof. At the time of issuance, all of the foregoing securities were deemed to be restricted securities for purposes of the Securities Act and the certificates representing such securities bore legends to that effect.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
<S>	<C>
**1.01	--Preliminary form of Underwriting Agreement.
**1.03	--Form of Selected Dealer Agreement.
*3.01	--Certificate of Incorporation of the Registrant, as amended.
**3.02	--By-Laws of the Registrant, as amended.
**4.01	--Specimen Certificate representing the Common Stock, par value $0.01 per share.
**5.01	--Opinion of Kane Kessler, P.C.
**10.01	--1996 Stock Option Plan.
**10.02	--Employment Agreement dated as of , 1996 between the Registrant and Steven L. Bock ("Bock Employment Agreement").
**10.03	--Employment Agreement dated as of , 1996 between the Registrant and Steven M. O'Hara ("O'Hara Employment Agreement").
*10.04	--Credit Agreement dated , 1994 between Bank Nationale de Paris ("BNP") Wigs By Paula, Inc., predecessor to the Registrant ("Wigs").
*10.05	--First Amendment, Waiver and Consent to the Credit Agreement dated August 16, 1995 between BNP and the Registrant.
*10.06	--Second Amendment, Waiver and Consent to the Credit Agreement dated August 14, 1996 between BNP and the Registrant.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
<S>	<C>
*10.07	--Security Agreement dated as of November 23, 1994 between Wigs and

BNP.
*10.08 --Trademark and Copyright Security Agreement dated as of November 23, 1994 between WIGS, BNP and other guarantors named therein.
*10.09 --Pledge Agreement dated as of November 23, 1994 between SC Corporation and BNP.
*10.10 --Pledge Agreement dated as of November 23, 1994 between the Registrant, SC Holdings, L.L.C. and BNP.
*10.11 --Guaranty dated November 23, 1994 between the Registrant, Western Schools, Inc., Royal Advertising & Marketing, Inc., BNP and the Hedge Banks.
*10.12 --Guaranty dated November 23, 1994 between SC Corporation, BNP, and the Hedge Banks.
*10.13 --Guaranty dated November 30, 1994 between the Registrant, SC Holdings L.L.C., BNP, and the Hedge Banks.
*10.14 --Agreement dated June 1, 1996 between SC Direct, Inc., the Registrant and Martin Franklin.
*10.15 --Debtor Securities Purchase Agreement dated November 23, 1994 between WIGS, L.P. and SC Corporation.
*10.16 --Pledge and Security Agreement dated November 30, 1994 between WIGS, L.P. and SC Corporation.
*10.17 --Promissory Note dated November 23, 1994 in the principal amount of $147,583 from WIGS, L.P. to SC Corporation.
*10.18 --Lease dated July 10, 1985 between Simon D. Young, Trustee of the Sandpy Realty Trust, ("Trustee"), and Wigs for premises located at 21 Bristol Drive, South Easton, MA.
*10.19 --First Amendment of Lease, dated March 15, 1986, between the Trustee and Wigs.
*10.20 --Second Amendment to Lease, dated March 1, 1989 between the Trustee and Wigs By Paula, Inc.
*10.21 --Third Amendment to Lease, dated October 22, 1993 between the Trustee and Wigs By Paula, Inc.
*10.22 --Letter Agreement, dated February 21, 1995 between the Trustee and SC Corporation.
*10.23 --Lease, dated October 20, 1995 between Fredric Snyderman as Trustee of JV Realty Trust and SC Direct Inc. for the premises at 23 Norfolk Avenue.
*10.24 --Printing Agreement, dated January 1, 1995 between Quebecor Printing (USA) Corp. and the Registrant, as amended.
**10.25 --Registration Rights Agreement, dated November 30, 1994 between the Registrant and certain of the Registrant's stockholders, as amended.
*10.26 --First Amended and Restated Joint Plan of Reorganization of SC Corporation, Western Schools, Inc. and Wigs by Paula dated September 21, 1994.
*10.27 --AT&T Contract Tariff Order dated February 9, 1995 between AT&T and the Registrant.
*10.28 --Shareholders' Agreement dated as of November 30, 1994 between the Registrant, SC Holdings L.L.C., SC Corporation and certain shareholders. ("Shareholders' Agreement").
*10.29 --Amendment No. 1 to Shareholders' Agreement.
*10.30 --SC Holdings L.L.C. Limited Liability Company Agreement, dated as of
.
**10.31 --Supplemental Defined Contribution Plan.
**10.32 --Form of Indemnification Agreement of Directors.
*11.01 --Statement Regarding Computation of per share earnings.
**21.01 --Subsidiaries of the Registrant.
</TABLE>

<TABLE>
<CAPTION>
EXHIBIT
NUMBER DESCRIPTION OF EXHIBIT
------- ----------------------
<C> <S>
**23.01 --Consent of Kane Kessler, P.C. (included in Exhibit 5)
*23.02 --Consent of Deloitte and Touche
*24.01 --Power of Attorney (contained on page II-7)
*27.01 --Financial Data Schedule
</TABLE>
----
* Filed herewith
** To be filed by amendment.

ITEM 17. UNDERTAKINGS.

The Company hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) and to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) to provide to the Underwriter at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser;

(5) insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue;

(6) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Company pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective;

(7) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON AUGUST 23, 1996.

Specialty Catalog Corp.

By: /s/ Steven L. Bock

Steven L. Bock,
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Steven Bock and Stephen O'Hara, jointly and severally, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and all documents relating thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Steven L. Bock	Director and Chief Executive Officer (Principal Executive Officer)	August 12, 1996
/s/ Stephen M. O'Hara	President	August 12, 1996
/s/ J. William Heise	Chief Financial Officer (Principal Financial and Accounting Officer)	August 12, 1996
/s/ Alan S. Cooper	Director	August 6, 1996

SIGNATURE	TITLE	DATE
/s/ Martin Franklin	Director	August 6, 1996
/s/ Samuel L. Katz	Director	August 5, 1996
/s/ Guy Naggar	Director	August 6, 1996

EXHIBIT INDEX

<TABLE>
<CAPTION>

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*10.13	--Guaranty dated November 30, 1994 between the Registrant, SC Holdings L.L.C., BNP, and the Hedge Banks.	
*10.14	--Agreement dated June 1, 1996 between SC Direct, Inc., the Registrant and Martin Franklin.	
*10.15	--Debtor Securities Purchase Agreement dated November 23, 1994 between WIGS, L.P. and SC Corporation.	
*10.16	--Pledge and Security Agreement dated November 30, 1994 between WIGS, L.P. and SC Corporation.	
*10.17	--Promissory Note dated November 23, 1994 in the principal amount of $147,583 from WIGS, L.P. to SC Corporation.	
*10.18	--Lease dated July 10, 1985 between Simon D. Young, Trustee of the Sandpy Realty Trust, ("Trustee"), and Wigs for premises located at 21 Bristol Drive, South Easton, MA.	
*10.19	--First Amendment of Lease, dated March 15, 1986, between the Trustee and Wigs.	

</TABLE>

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EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT	PAGE NO.
<C>	<S>	<C>
*10.20	--Second Amendment to Lease, dated March 1, 1989 between the Trustee and Wigs By Paula, Inc.	
*10.21	--Third Amendment to Lease, dated October 22, 1993 between the Trustee and Wigs By Paula, Inc.	
*10.22	--Letter Agreement, dated February 21, 1995 between the Trustee and SC Corporation.	
*10.23	--Lease, dated October 20, 1995 between Fredric Snyderman as Trustee of JV Realty Trust and SC Direct Inc. for the premises	

at 23 Norfolk Avenue.
*10.24 --Printing Agreement, dated January 1, 1995 between Quebecor Printing (USA) Corp. and the Registrant, as amended.
**10.25 --Registration Rights Agreement, dated November 30, 1994 between the Registrant and certain of the Registrant's stockholders, as amended.
*10.26 --First Amended and Restated Joint Plan of Reorganization of SC Corporation, Western Schools, Inc. and Wigs by Paula dated September 21, 1994.
*10.27 --AT&T Contract Tariff Order dated February 9, 1995 between AT&T and the Registrant.
*10.28 --Shareholders' Agreement dated as of November 30, 1994 between the Registrant, SC Holdings L.L.C., SC Corporation and certain shareholders. ("Shareholders' Agreement").
*10.29 --Amendment No. 1 to Shareholders' Agreement.
*10.30 --SC Holdings L.L.C. Limited Liability Company Agreement, dated as of .
**10.31 --Supplemental Defined Contribution Plan.
**10.32 --Form of Indemnification Agreement of Directors.
*11.01 --Statement Regarding Computation of per share earnings.
**21.01 --Subsidiaries of the Registrant.
**23.01 --Consent of Kane Kessler, P.C. (included in Exhibit 5)
*23.02 --Consent of Deloitte and Touche
*24.01 --Power of Attorney (contained on page II-7)
*27.01 --Financial Data Schedule
</TABLE>
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* Filed herewith
** To be filed by amendment.

EXHIBIT 3.01

CERTIFICATE OF INCORPORATION

OF

SPECIALTY CATALOG CORP.

The undersigned, for the purposes of organizing a corporation pursuant to the General Corporation Law of the State of Delaware, does make and file this Certificate of Incorporation with the Secretary of the State of Delaware and does hereby certify as follows:

FIRST: The name of the corporation is Specialty Catalog Corp. (hereinafter referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation is to be located at 32 Loockerman Square, Suite L-100, in the City of Dover, in the County of Kent, in the State of Delaware 19904. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

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

FOURTH: The total number of shares of stock that the Corporation is authorized to issue is 50,000 consisting of:

A. 20,000 shares of common stock, par value of one cent ($0.01) per share (hereinafter referred to as "Common Stock").

(1) Subject to the restrictions set forth in Paragraph B of this Article FOURTH, the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

(2) After distribution in full of the preferential amount (fixed in accordance with the provisions of Paragraph B of this Article FOURTH), if any, to be distributed to the holders of Preferred Stock in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding-up of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation, tangible and intangible, or whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them, respectively.

B. 30,000 shares of preferred stock, par value one hundred dollars ($100.00) per share (hereinafter referred to as "Preferred Stock").

(1) Dividends. Each holder of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds at the time legally available therefor, dividends at the rate of (i) $13.00 per annum per share and (ii) 13% per annum (compounded quarterly) on any accrued dividends on such shares, whether or not declared, that remain unpaid beyond the next succeeding Dividend Payment Date (as defined herein). Dividends on shares of Preferred Stock shall accrue and be cumulative from the date of issuance of such shares. Dividends shall be payable quarterly in cash in arrears on March 31, June 30, September 30 and December 31 of each year commencing December 31, 1994 (except that if any such date is a Saturday, Sunday or legal holiday, then such dividend shall be payable on the next day that is not a Saturday, Sunday or legal holiday) (each such date a "Dividend Payment Date") to holders of record as they appear on the stock books of the Corporation on such record dates as are fixed by the Board of Directors. For purposes hereof, the term "legal holiday" shall mean any day on which banking institutions are authorized to close in New York. The amount of dividends payable per share of Preferred Stock for each quarterly dividend period shall be computed by dividing the annual amount by four. The amount of dividends payable for the initial dividend period and any period shorter than a full semi-annual dividend period shall be computed on the basis of a 365-day year and the number of days actually elapsed in such period. Dividends in arrears may be declared and paid at any time to holders of record on the record date therefor.

So long as any Preferred Stock shall remain outstanding, the Corporation shall not, directly or indirectly, (i) pay, declare or set apart for payment any dividend or make any other distribution (in each case, whether payable in cash, in property, in securities of the Corporation or otherwise) on or in respect of any class of capital stock of the Corporation other than the Preferred Stock, and (ii) purchase, redeem or otherwise acquire (or pay or make available any monies for a sinking fund for the purchase, redemption or acquisition of) any shares of any class of capital stock of the Corporation, in each case if there shall then be any accrued dividends on any shares of Preferred Stock accrued to the date of such action that have not been declared and paid or set apart for payment; except that this subparagraph shall not prohibit a dividend or distribution payable in Common Stock or in rights or warrants to purchase Common Stock.

If at any time the Corporation pays less than the total amount of dividends then accrued with respect to Preferred Stock, such payment shall be distributed pro rata to the holders of Preferred Stock based upon the aggregate accrued and unpaid dividends no the shares held by each such holder.

(2) Redemption. The Corporation, at its option, may redeem at any time in whole or from time to time in part, the Preferred Stock on any date set by the Board of Directors, at a price equal to the par value per share of any share redeemed, plus, in each case, an amount in cash equal to all dividends on the Preferred Stock accrued and unpaid thereon, whether or not declared or due,

pro rata to the date fixed for redemption, such sum being hereinafter referred to as the "Redemption Price". Unless earlier called for redemption in accordance with the provisions hereof, on tenth anniversary of date of issuance, or, if such date is not a business day, the next succeeding day that is a business day, each outstanding share of Preferred Stock shall be mandatorily redeemed at the Redemption Price, payable in cash.

In case of the optional redemption of less than all of the then outstanding Preferred Stock, the Corporation shall effect such redemption pro rata.

Not more than 60 nor less than 10 days prior to any redemption date, notice by first class mail, postage prepaid, shall be given to each holder of record of the Preferred Stock to be redeemed, at such holder's address as it shall appear upon the stock transfer books of the Corporation. Each such notice of redemption shall specify (i) the date fixed for redemption, (ii) the Redemption Price, (iii) the place or places of payment, (iv) that payment will be made upon presentation and surrender of the certificate(s) evidencing the shares of Preferred Stock to be redeemed) the number of shares of Preferred Stock to be redeemed and, if fewer than all of the shares to be redeemed from such holder, and (vi) that on and after the redemption date, dividends will cease to accrue on such shares.

Any notice that is mailed as herein provided shall be conclusively presumed to have been duly given, whether or not the holder of the Preferred Stock receives such notice; and failure to give such notice by mail, or any defect in such notice, to the holders of any shares designated for redemption shall not (a) affect the validity of the proceedings for the redemption of any other shares of Preferred Stock or (b) prejudice the rights of any holders of Preferred Shares to cause the Corporation to redeem any such shares held by them. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the Redemption Price. If less than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. If, on the date fixed for redemption, funds necessary for the redemption

shall be available therefor and shall have been irrevocably deposited or set aside, then, notwithstanding that the certificates evidencing any shares so called for redemption shall not have been surrendered, the dividends with respect to the shares so called shall cease to accrue after the date fixed for redemption, the shares shall no longer be deemed outstanding, the holders thereof shall cease to be stockholders with respect to the shares so called and all rights whatsoever with respect to the shares so called for redemption (except the right of the holders to receive the Redemption Price without interest upon surrender of their certificates therefor) shall terminate.

The holder of any shares of Preferred Stock redeemed upon any exercise of the Corporation's redemption right shall not be entitled to receive

payment of the Redemption Price for such shares until such holder shall cause to be delivered to the place specified in the notice given with respect to such redemption (i) the certificate(s) representing such shares of Preferred Stock redeemed and (ii) transfer instrument(s) satisfactory to the Corporation and sufficient to transfer such shares of Preferred Stock to the Corporation free of any adverse interest. No interest shall accrue on the Redemption Price of any share of Preferred Stock after its redemption date.

(3) Voting Rights. The holders of shares of Preferred Stock shall not be entitled to any voting rights except as provided by law.

(4) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of the Preferred Stock shall be entitled to receive, out of the assets of the Corporation, the amount of $100.00 in cash for each share of Preferred Stock, plus the dividends accrued and unpaid thereon to the date of final distribution to such holders, before any distribution shall be made to the holders of any Common Stock or other capital stock of the Corporation ranking junior to the Preferred Stock as to the distribution of assets upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets distributable among the holders of the Preferred Stock shall be insufficient to permit the payment in full to the holders of the Preferred Stock of all preferential amounts payable to all such holders, then the distributable assets of the Corporation shall be distributed ratably among the holders of the Preferred Stock in proportion to the respective amounts that would have been payable per share if such assets had been sufficient to permit payment in full. Except as otherwise provided in this Paragraph B(4) of this Article FOURTH, holders of Preferred Stock shall not be entitled to any

distribution in the event of liquidation, dissolution or winding up of the affairs of the Corporation. For the purposes of this Paragraph B(4) of this Article FOURTH, neither the voluntary sale, lease, conveyance, exchange or transfer (for cash, securities or other consideration) of all or substantially all the property or assets of the Corporation, nor the consolidation, merger or business combination of the Corporation with or into one or more other corporations, shall be deemed to be a liquidation, dissolution or winding up of the Corporation (unless in connection therewith the liquidation of the Corporation is specifically approved). No interest shall accrue on any payment upon liquidation after the due date thereof.

(5) Cancellation of Reacquired Preferred Stock. Shares of Preferred Stock that have been issued and reacquired by the Corporation in any manner, including shares purchased or redeemed, shall be canceled on the books of the Corporation and shall not be reissued.

FIFTH: A. The business and affairs of the Corporation shall be managed by the Board of Directors, and the directors need not be elected by ballot unless required by the By-Laws of the Corporation.

B. The Board of Directors is expressly authorized to adopt, amend or repeal the By-Laws of the Corporation subject to the power of the stockholders to alter or repeal the By-Laws made or altered by the Board of Directors.

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

John Hoffman
Kramer, Levin, Naftalis, Nessen, Kamin & Frankel
919 Third Avenue
New York, New York 10022

SIXTH: A. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation law is amended after this Certificate of Incorporation becomes effective to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

B. No repeal or modification of the foregoing Paragraph A of this Article SIXTH and no amendment, repeal or termination of any law authorizing

such Paragraph shall adversely affect any right or protection of any director of the Corporation for or with respect to any act or omission occurring prior to such amendment, repeal or termination of effectiveness.

SEVENTH: A. The Corporation shall, to the fullest extent to which it is empowered to do so by the General Corporation Law of Delaware or any other applicable laws as may from time to time be in effect, indemnify any person, or the personal representative thereof, who was or is a party to any or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, against losses, liabilities, judgments, fines (including excise tax assessed on such a person in connection with service to an employee benefit plan or otherwise), amounts paid in settlement and expenses (including, without limitation, court costs, attorneys' fees and disbursements and those of accountants and other experts and consultants), actually and reasonably incurred by such person as a result of or in connection with such action, suit or proceeding or any appeal therein all of which expenses as incurred shall be advanced by the Corporation pending the final disposition of such action, suit or

proceeding upon receipt of an undertaking by or on behalf of the director or officer who may be entitled to such indemnification, to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The Corporation's obligation to indemnify and to prepay expenses hereunder (i) shall inure to the benefit of the heirs, executors and administrators of any person who has ceased to be a director or officer of the Corporation, (ii) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, By-Law, agreement, vote of stockholders or directors or otherwise, and (iii) shall arise, and all rights granted to directors and officers hereunder shall vest, at the time of the occurrence of the transaction or event to which such action, suit or proceeding relates, or at the time that the action or conduct to which such action, suit or proceeding relates was first taken or engaged in (or omitted to be taken or engaged in), regardless of when such action, suit or proceeding is first threatened, commenced or completed. Notwithstanding any other provision of this Certificate of Incorporation or the By-Laws of the Corporation, no action taken by the Corporation, either by amendment of this Certificate of Incorporation or the By-Laws of the Corporation, or otherwise, shall diminish or adversely affect any rights to indemnification or prepayment of expenses granted under this Article SEVENTH that shall have become vested as aforesaid prior to the date such amendment or other corporate action is taken. Nothing contained in this Article SEVENTH shall be construed in such a manner as to prohibit the Corporation from granting any additional right of indemnification to any director or officer of the Corporation by agreement, vote of stockholders or directors or otherwise.

B. If the Delaware General Corporation Law is amended hereafter

to expand or limit the indemnification a corporation may provide to a director or officer, then the indemnification of a director or officer of the Corporation shall be expanded to the fullest extent so permitted or limited to the least extent so required by the Delaware General Corporation Law, as so amended.

C. The Corporation may, by agreement, vote of stockholders or directors or otherwise, indemnify its employees and agent and the personal representatives thereof to the fullest extent permitted under Delaware Law.

IN WITNESS WHEREOF, the undersigned, being the sole incorporator, hereby declares and certifies that the facts herein stated are true, and accordingly has hereto set his hand this 30th day of November, 1994.

By: /s/ John Hoffman

John Hoffman
Incorporator

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
SPECIALTY CATALOG CORP.

Adopted in accordance with the provisions of Section 242
of the General Corporation Law of the State of Delaware

It is hereby certified that:

1. The present name of the corporation is Specialty Catalog Corp. (the "Corporation").

2. The Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on November 29, 1994.

3. Article FOURTH of the Certificate of Incorporation is hereby amended to read in its entirety as follows:

"FOURTH: The total number of shares of stock that the Corporation is authorized to issue is 50,000, consisting of:

(a) 30,000 shares of preferred stock, par value one hundred dollars ($100.00) per share (the "Preferred Stock"); and

(b) 16,000 shares of Class A Common Stock, par value of one cent ($.01) per share (the "Class A Common Stock"), 2,000 shares of Class B Common Stock, par value of one cent ($.01) per share (the "Class B Common Stock"), and 2,000 shares of Class C Common Stock, par value of one cent ($0.1) per share (the "Class C Common Stock"; collectively, with the Class A Common Stock and the Class B Common Stock, the "Common Stock").

The following is a statement of the designations, rights, preferences, qualifications, limitations and restrictions in respect of each class of capital stock of the Corporation.

A. PREFERRED STOCK

(1) Dividends. Each holder of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds at the time legally available therefor, dividends at the rate of (i) $13.00 per annum per share and (ii) 13% per annum (compounded quarterly) on any accrued dividends on such shares, whether or not declared, that remain unpaid beyond the next succeeding Dividend Payment Date (as defined herein). Dividends on shares of Preferred Stock shall accrue and be cumulative from November 23, 1994, except that dividends on shares of Preferred Stock that are issued after January 1, 1995 shall accrue and be cumulative from the date of issuance of such shares. Dividends shall be payable quarterly in cash in arrears on March 31, June 30, September 30 and December 31 of each year commencing December 31, 1994 (except that if any such date is a Saturday, Sunday or legal holiday, then such dividend shall be payable on the next day that is not a Saturday, Sunday or legal holiday) (each such date a "Dividend Payment Date") to holders of record as they appear on the stock books of the Corporation on such record dates as are fixed by the Board of Directors. For purposes hereof, the term "legal holiday" shall mean any day on which banking institutions are authorized to close in New York. The amount of dividends payable per share of Preferred Stock for each quarterly dividend period pursuant to clause (i) of the first sentence of this paragraph shall be computed by dividing the annual amount by four. The amount of dividends payable for the initial dividend period and any period shorter than a full quarterly dividend period shall be computed on the basis of a 365-day year and the number of days actually elapsed in such period. Dividends in arrears may be declared and paid at any time to holders of record on the record date therefor.

So long as any Preferred Stock shall remain outstanding, the Corporation shall not, directly or indirectly, (i) pay, declare or set apart for payment any dividend or make any other distribution (in each case, whether payable in cash, in property, in securities of the Corporation or otherwise) on or in respect of any class of capital stock

of the Corporation other than the Preferred Stock, and (ii) purchase, redeem or otherwise acquire (or pay or make available any monies for a sinking fund for the purchase, redemption or acquisition of) any shares of any class of capital stock of the Corporation, in each case if there shall then be any accrued dividends on any shares of Preferred Stock accrued to the date of such action that have not been declared and paid or set apart for payment; except that this subparagraph shall not prohibit a dividend or distribution payable in Common Stock or in rights or warrants to purchase Common Stock.

If at any time the Corporation pays less than the total amount of dividends then accrued with respect to Preferred Stock, such payment

shall be distributed pro rata to the holders of Preferred Stock based upon the aggregate accrued and unpaid dividends on the shares held by each such holder.

(2) Redemption. The Corporation, at its option, may redeem at any time
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in whole or from time to time in part, the Preferred Stock on any date set by the Board of Directors, at a price equal to the par value per share of any share redeemed, plus, in each case, an amount in cash equal to all dividends on the Preferred Stock accrued and unpaid thereon, whether or not declared or due, pro rata to the date fixed for redemption, such sum being hereinafter referred to as the "Redemption Price".

In case of the redemption of less than all of the then outstanding Preferred Stock, the Corporation shall effect such redemption pro rata.

Not more than 60 nor less than 10 days prior to any redemption date, notice by first class mail, postage prepaid, shall be given to each holder of record of the Preferred Stock to be redeemed, at such holder's address as it shall appear upon the stock transfer books of the Corporation. Each such notice of redemption shall specify (i) the date fixed for redemption, (ii) the Redemption Price, (iii) the place or places of payment, (iv) that payment will be made upon presentation and surrender of the certificate(s) evidencing the shares of Preferred Stock to be redeemed, (v) the number of shares of Preferred Stock to be redeemed and, if fewer than all of the shares held by such holder are to be redeemed from such holder, the number of shares to be redeemed from such holder, and (vi) that on and after the redemption date, dividends will cease to accrue on such shares.

Any notice that is mailed as herein provided shall be conclusively presumed to have been duly given, whether or not the holder of the Preferred Stock receives such notice; and failure to give such notice by mail, or any defect in such notice, to the holders of any shares designated for redemption shall not (a) affect the validity of

the proceedings for the redemption of any other shares of Preferred stock or (b) prejudice the rights of any holders of Preferred Shares to cause the Corporation to redeem any such shares held by them. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the Redemption Price. If less than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. If, on the date fixed for redemption, funds necessary for the redemption shall be available therefor and shall have been irrevocably deposited or set aside, then, notwithstanding that the certificates evidencing any shares so called for redemption shall not have been surrendered, the dividends with respect

to the shares so called shall cease to accrue after the date fixed for redemption, the shares shall no longer be deemed outstanding, the holders thereof shall cease to be stockholders with respect to the shares so called and all rights whatsoever with respect to the shares so called for redemption (except the right of the holders to receive the Redemption Price without interest upon surrender of their certificates therefor) shall terminate.

The holder of any shares of Preferred Stock redeemed upon any exercise of the Corporation's redemption right shall not be entitled to receive payment of the Redemption Price for such shares until such holder shall cause to be delivered to the place specified in the notice given with respect to such redemption (i) the certificate(s) representing such shares of Preferred Stock redeemed and (ii) transfer instrument(s) satisfactory to the Corporation and sufficient to transfer such shares of Preferred Stock to the Corporation free of any adverse interest. No interest shall accrue on the Redemption Price of any share of Preferred Stock after its redemption date.

(3) Voting Rights. The holders of shares of Preferred Stock shall not be entitled to any voting rights except as provided by law.

(4) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of the Preferred Stock shall be entitled to receive, out of the assets of the Corporation, the amount of $100.00 in cash for each share of Preferred Stock, plus the dividends accrued and unpaid thereon to the date of final distribution to such holders, before any distribution shall be made to the holders of any Common Stock or other capital stock of the Corporation ranking junior to the Preferred

Stock as to the distribution of assets upon the liquidation, dissolution or winding up of the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets distributable among the holders of the Preferred Stock shall be insufficient to permit the payment in full to the holders of the Preferred Stock of all preferential amounts payable to all such holders, then the distributable assets of the Corporation shall be distributed ratably among the holders of the Preferred Stock in proportion to the respective amounts that would have been payable per share if such assets had been sufficient to permit payment in full. Except as otherwise provided in this Paragraph A(4) of this Article FOURTH, holders of Preferred Stock shall not be entitled to any distribution in the event of liquidation, dissolution or winding up of the affairs of the Corporation . For the purposes of this Paragraph A(4) of this Article FOURTH, neither the voluntary sale, lease, conveyance, exchange or transfer (for cash, securities or other consideration) of all or substantially all the property or assets of the Corporation, nor the consolidation, merger or business combination of

the Corporation with or into one or more other corporations, shall be deemed to be a liquidation, dissolution or winding up of the Corporation (unless in connection therewith the liquidation of the Corporation is specifically approved). No interest shall accrue on any payment upon liquidation after the due date thereof.

(5) Cancellation of Reacquired Preferred Stock. Shares of Preferred
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Stock that have been issued and reacquired by the Corporation in any manner, including shares purchased or redeemed, shall be cancelled on the books of the Corporation and shall not be reissued.

B. COMMON STOCK:

(1) Dividends. Subject to the restrictions set forth in Paragraph A of
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this Article FOURTH, the holders of Common Stock shall be entitled to receive, ratably on all shares, regardless of whether such shares are shares of Class A Common Stock, Class B Common Stock or Class C Common Stock, such dividends as may be declared from time to time by the Board of Directors.

(2) Voting Rights. The holders of Class A Common Stock, Class B Common
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Stock and Class C Common Stock shall have the right to vote on all matters to be voted on by the stockholders of the Corporation and shall vote as a single class; provided, however, that on every matter that may
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be voted on by the holders of the Common Stock, (i) each holder of Class A Common Stock shall be entitled to one vote per share, (ii) each holder

of Class B Common Stock shall be entitled to one-half vote per share and (iii) each holder of Class C Common Stock shall be entitled to one and one-half votes per share.

(3) Liquidation. After distribution in full of the preferential amount (fixed in accordance with the provisions of Paragraph A of this Article FOURTH), if any, to be distributed to the holders of Preferred Stock in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding-up of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders ratably on all shares, regardless of whether such shares of Class A Common Stock, Class B Common Stock or Class C Common Stock.

(4) Conversion. Upon the sale, disposition or other transfer of any share(s) of Class B Common Stock by the original holder thereof, (i) such share(s) of Class B Common Stock shall automatically and immediately convert (and be deemed to be converted) into an equal number of shares of Class A Common Stock, and (ii) an equal number of shares of Class C Common Stock shall automatically and immediately convert (and be deemed to be converted) into an equal number of shares of Class A Common Stock, and the Corporation promptly shall give notice of such conversion to the holder or holders thereof. If more than one such holder exists, then the conversion of shares of Class C Common Stock into shares of Class A Common Stock shall be effected pro rata among the shares of Class C Common Stock owned by such holders. The notice delivered by the Corporation to the holder(s) of Class C Common Stock shall (x) state that the certificate(s) representing such shares are cancelled effective as of the date of the disposition or other transfer of the shares of Class B Common Stock, representing from that date forward only the right to receive new certificates, as set forth herein, and (y) set forth the number of shares of Class A Common Stock and the number of shares of Class C Common Stock, if any, to be received by such holder(s) upon such holder(s) surrender of the certificate(s) representing the shares of Class C Common Stock owned by such holder(s).

Promptly after any sale, disposition or other transfer of shares of Class B Common Stock by the original holder thereof, such original holder shall deliver notice thereof to the Corporation and shall cause the transferee(s) of such shares to surrender the certificate(s) representing such shares to the Corporation at its principal office at any time during its usual business hours, stating in such notice the name or names in which the certificate(s) for Class A Common Stock (and the certificate(s) for Class B Common Stock, if less than all shares of

Class B Common Stock represented by the surrendered certificate have been transferred) shall be issued and the address to which such certificate(s) shall be delivered. As soon as practicable after such surrender of such certificate(s), (i) the Corporation shall issue and deliver at such address as is specified by such transferee(s) certificate(s) for the number of shares of Class A Common Stock to which such transferee(s) shall be entitled as aforesaid, and (ii) if less than all shares of Class B Common Stock represented by the surrendered certificate(s) have been transferred, the Corporation shall issue and deliver to the original holder of such shares a certificate for the number of shares of Class B Common Stock that such original holder still owns.

Promptly after its receipt of notice from the Corporation as provided above of any conversion of its shares of Class C Common Stock into shares of Class A Common Stock, the holder(s) thereof promptly shall surrender the certificate(s) representing such shares of Class C Common Stock to the Corporation at its principal office at any time during its usual business hours, stating in a notice the name or names in which the certificate(s) for Class A Common Stock and the certificate(s) for Class C Common Stock, if any, shall be issued and the address(es) to which such certificate(s) shall be delivered. As soon as

practicable after such surrender of such certificate(s), the Corporation shall issue and deliver at such address(es) as is specified by such holder(s) a certificate or certificates for the number of shares of Class A Common Stock and the number of shares of Class C Common Stock, if any, to which such holder(s) shall be entitled as aforesaid.

The Corporation shall at all times reserve and keep available, out of its authorized and unissued shares, shares of Class A Common Stock, solely for issuance upon the conversion of shares of Class B Common Stock or shares of Class C Common Stock as herein provided. All shares of Class A Common Stock issuable upon any conversion described herein shall, when issued, be duly and validly issued and fully paid and non-assessable. The Corporation will take such action as may be necessary to assure that all such shares of Class A Common Stock may be so issued without violation of any applicable requirements of any national stock exchange upon which the shares of Class A Common Stock of the Corporation may be listed. The issuance of certificates for shares of Class A Common Stock upon conversion of shares of Class B Common Stock or shares of Class C Common Stock shall be made without charge to the holders of such converted shares for any issuance tax in respect thereof.

All shares of Class B Common Stock and all shares of Class C Common Stock that are converted into shares of Class A Common Stock shall be retired and cancelled and shall not be reissued, and the

Corporation may from time to time take such appropriate action as may be necessary to reduce the number of authorized shares of Class B Common Stock and/or Class C Common Stock accordingly."

4. The foregoing amendment to the Certificate of Incorporation of the Corporation was declared advisable by the Board of Directors of the Corporation pursuant to a resolution duly adopting the amendment on April __, 1995, and was duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware by the affirmative vote of the holders of all of the outstanding stock of the Corporation entitled to vote thereon.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by Steven L. Bock, its Chief Executive Officer, and Stephen O'Hara, its Secretary, this ___ day of _____, 1995.

[CORPORATE SEAL]

SPECIALTY CATALOG CORP.

/s/ Steven L. Bock

Steven L. Bock
Chief Executive Officer

Attest:

/s/ Stephen O'Hara

Stephen O'Hara
Secretary

EXHIBIT 10.4

EXECUTION COPY

$16,000,000

CREDIT AGREEMENT

Dated as of November 23, 1994

Among

WIGS BY PAULA, INC.,

as Borrower

and

THE BANKS NAMED HEREIN

as Banks

and

BANQUE NATIONALE DE PARIS, NEW YORK BRANCH

as Agent

T A B L E O F C O N T E N T S

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CREDIT AGREEMENT

CREDIT AGREEMENT dated as of November 23, 1994 among WIGS BY PAULA, INC., a Massachusetts corporation ("Wigs", and also the "Borrower"), the bank (the "Bank") listed on the signature pages hereof, and BANQUE NATIONALE DE PARIS, NEW YORK BRANCH ("BNP"), as agent (together with any successor appointed pursuant to Article VII, the "Agent") for the Lenders (as hereinafter defined).

PRELIMINARY STATEMENTS:

(1) The Borrower, together with SC Corporation, a Delaware corporation ("SC Corporation") and Western Schools, Inc., a California corporation ("Western") and certain other Affiliates, filed a voluntary petition under chapter 11 of the Bankruptcy Code on December 28, 1992. Each of the Borrower, SC Corporation and Western is a proponent of the First Amended and Restated Joint Plan of Reorganization of SC Corporation, the Borrower and Western dated September 21, 1994 (as amended by the Bankruptcy Court having jurisdiction over the chapter 11 bankruptcy case of the Borrower, SC Corporation and Western on

October 26, 1994, the "Plan of Reorganization") and the related First Amended and Restated Disclosure Statement with respect thereto (the "Disclosure Statement"). The Plan of Reorganization and the Disclosure Statement provide for, among other things, certain distributions to creditors of SC Corporation, the Borrower and Western, the discharge of certain claims against SC Corporation, the Borrower and Western, and the entering into of certain agreements in respect of financing for SC Corporation, the Borrower and Western (together with all other transactions contemplated by the Plan of Reorganization and the Disclosure Statement, the "Reorganization").

(2) In connection with the Reorganization, the Borrower will be capitalized with a minimum of $6,650,000 in the aggregate of Subordinated Debt, Preferred Stock and common equity.

(3) Pursuant to the Plan of Reorganization and the Disclosure Statement, the Borrower, SC Corporation and Western have requested that, upon the effectiveness of the Plan of Reorganization and the consummation of the Reorganization, the Lenders lend to the Borrower up to $16,000,000 to finance certain distributions under the Plan of Reorganization, to pay certain transaction costs incurred in connection with the Reorganization and to provide for the working capital requirements of the Borrower and Western. In connection therewith, SC Corporation and Western will enter into certain security agreements securing, and certain guaranties of, obligations under this Agreement, as more fully described herein.

(4) The Borrower has advised the Bank and the Agent that, following the date hereof, the Borrower may be merged with and into SC Corporation, with SC

Corporation thereby succeeding to all of the obligations of the Borrower hereunder (the "Merger"). In such event, following the Merger such merged corporation shall be the Borrower hereunder. In connection with the Merger, the Equity Investors may form one or two holding companies ("Newco(s)") to hold some or all of the securities of SC Corporation, subject to the pledges contemplated by this Agreement. If such holding companies are formed, Newco(s) shall enter into guaranties of, and security agreements securing, obligations under this Agreement comparable to those being entered into on the date hereof by SC Corporation.

(5) The Lenders have indicated their willingness to agree to lend such amounts on the terms and conditions of this Agreement.

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

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Actual Basis" means the following method which shall be used to adjust any calculation of EBITDA for each Rolling Period consisting of less than twelve full months following the date hereof:

The results during such Rolling Period shall be calculated as the actual results during the twelve month period ending on the last day of such Rolling Period.

"Advance" means a Term Advance, a Working Capital Advance or a Letter

of Credit Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the

ownership of Voting Stock, by contract or otherwise; provided that any Person other than any Loan Party as to which the Equity Investors possess, directly or indirectly, the power to vote less than 20% of the Voting Stock of such Person and do not otherwise possess the power to direct or cause the direction of the Management and policies of such Person, shall be deemed not to be controlled by the Equity Investors.

"Agent" has the meaning specified in the recital of parties to this Agreement.

"Agent's Account" means the account of the Agent maintained by the Agent at the Federal Reserve Bank of New York, 33 Liberty Street, New York, New York 10048, Account No. 19225300157, or such other account maintained by the Agent and designated by the Agent in a written notice to the Lenders, the Issuing Bank and the Borrower.

"Annualized Basis" means the following method which shall be used to adjust any calculation of any item for each Rolling Period consisting of less than twelve full months following the date hereof:

(i) the Rolling Period shall be determined beginning with the first full month following the closing; and

(ii) the results during such Rolling Period shall be multiplied by a fraction, the numerator of which shall be 12 and the denominator of which shall be the actual number of months included in such Rolling Period under clause (i) above.

"Applicable Lending Office" means, with respect to each Lender and the Issuing Bank, such Lender's or the Issuing Bank's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" means 2.00% per annum for Base Rate Advances and 3.50% per annum for Eurodollar Rate Advances.

"Appropriate Lender" means, at any time, with respect to (a) any of the Letter of Credit, Term or Working Capital Facilities, a Lender or the Issuing Bank that has a Commitment with respect to such Facility at such time.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and/or the Issuing Bank and an Eligible Assignee, and accepted by the Agent, in accordance with Section 8.07 and in substantially the form of Exhibit C hereto.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such

time (assuming compliance at such time with all conditions to drawing).

"Bank" has the meaning specified in the recital of parties to this Agreement.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by BNP in New York City, from time to time as its prime rate (and such term shall not be construed to be its best or most favorable rate); and

(b) 1/2 of 1% per annum above the Federal Funds Rate.

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.07(a)(i).

"Blocked Accounts" has the meaning specified in the Security Agreement.

"BNP" has the meaning specified in the recital of parties to this Agreement.

"Borrower" has the meaning specified in the recital of parties to this Agreement; provided that, if the Merger shall occur, the Borrower shall mean SC Corporation.

"Borrower's Account" means the account of the Borrower maintained by the Borrower with BNP at its office at 499 Park Avenue, New York, New York 10022, Account No. 20178600152.

"Borrowing" means a Term Borrowing or a Working Capital Borrowing.

"Borrowing Base Certificate" means a certificate in substantially the form of Exhibit D hereto, duly certified by the chief financial officer of the applicable Borrower.

"Borrowing Base Deficiency" means, at any time, the failure of (a) the Loan Value of the Eligible Inventory at such time to equal or exceed (b) the sum of (i) the aggregate principal amount of the Working Capital Advances and the Letter of Credit Advances outstanding at such time plus (ii) the aggregate of the respective Corresponding Percentages of each Available Amount under each Letter of Credit outstanding at such time.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Capital Expenditures" means, for any period, the sum of (a) all expenditures (other than the payments made pursuant to a Capitalized Lease or other lease arrangement) during such period to acquire equipment, fixed assets, real property or improvements, or to acquire replacements or substitutions therefor or additions thereto, that have a useful life of more than one year plus (b) the aggregate principal amount of all Debt (including obligations under Capitalized Leases) assumed or incurred during such period in connection with any such expenditures.

"Capitalized Leases" means all leases that have been or should be, in

accordance with GAAP, recorded as capitalized leases.

"Cash Equivalents" means any of the following, to the extent owned by the Borrower free and clear of all Liens other than Liens created under the Collateral Documents and having a maturity of not greater than 90 days from the date of acquisition thereof: (a) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States, (b) certificates of deposit of, or time or demand deposits with, (i) any commercial bank that is a Lender or a member of the Federal Reserve System, issues (or the parent of which issues) commercial paper rated as described in clause (c), is organized under the laws of the United States or any State thereof and has combined capital and surplus of at least $1 billion, (ii) Fleet Bank or (iii) any other institution acceptable to the Agent or (c) commercial paper in an aggregate amount of no more than $100,000 per issuer outstanding at any time, issued by any corporation organized under the laws of any State of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's Investors Service, Inc. or "A-1" (or the then equivalent grade) by Standard & Poor's Corporation.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"Clean-down Period" means a period of 30 consecutive days commencing no earlier than August 1 and ending no later than October 31 of each fiscal year of the Borrower through the Termination Date.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Agent for its benefit and the benefit of the Lenders and the Issuing Bank.

"Collateral Documents" means the Security Agreement, the Pledge Agreement, the Trademark and Copyright Security Agreement and any other agreement that creates or purports to create a Lien in favor of the Agent for its benefit and the benefit of the Lenders and the Issuing Bank.

"Collateral Grantor" means each of the Borrower and the Guarantors.

"Commitment" means a Term Commitment, a Working Capital Commitment or a Letter of Credit Commitment.

"Commitment Letter" means the commitment letter dated October 20, 1994 from the Agent to Dickstein Partners Inc. and Viking Holdings Limited.

"Confidential Information" means information that the Borrower furnishes to the Agent, any Lender or the Issuing Bank in a writing designated as confidential, but does not include any such information that is or becomes generally available to the public.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Conversion", "Convert" and "Converted" each refer to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.09 or 2.10.

"Current Assets" of any Person means all assets of such Person that
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would, in accordance with GAAP, be classified as current assets of a company conducting a business the same as or similar to that of such Person, after deducting adequate reserves in each case in which a reserve is proper in accordance with GAAP.

"Current Liabilities" of any Person means (a) all Debt of such Person
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that by its terms is payable on demand or matures within one year after the date of its creation (excluding any Debt renewable or extendible, at the option of such Person, to a date more than one year from such date or arising under a revolving credit or

similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date) and (b) all other items (including taxes accrued as estimated) that in accordance with GAAP would be classified as current liabilities of such Person.

"Debt" of any Person means, without duplication, (a) all indebtedness
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of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services other than trade payables incurred in the ordinary course of business (i) not over due by more than 60 days or (ii) over due by more than 60 days (x) so long as they are being contested in good faith by appropriate proceedings and (y) to the extent the amounts so contested are less than $100,000 in the aggregate, (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under Capitalized Leases, (f) all Obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all Obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any capital stock of or other ownership or profit interest in such Person or any other Person or any warrants, rights or options to acquire such capital stock, valued, in the case of Redeemable Preferred Stock, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) all Obligations of such Person in respect of Hedge Agreements, (i) all Debt of others referred to in clauses (a) through (h) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (j) all Debt referred to in clauses (a) through (i) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

"Default" means any Event of Default or any event that would
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constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Defaulted Advance" means, with respect to any Lender at any time, the
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portion of any Advance required to be made by such Lender to the Borrower

pursuant to Section 2.01 or Section 2.02 at or prior to such time which has not been made by such Lender or by the Agent for the account of such Lender pursuant to Section 2.02(d) as of such time. In the event that a portion of a Defaulted Advance shall be deemed made pursuant to Section 2.15(a), the remaining portion of such Defaulted Advance shall be considered a Defaulted Advance originally required to be made pursuant to Section 2.01 on the same date as the Defaulted Advance so deemed made in part.

"Defaulted Amount" means, with respect to any Lender at any time, any amount required to be paid by such Lender to the Agent, any other Lender or the Issuing Bank hereunder or under any other Loan Document at or prior to such time which has not been so paid as of such time, including, without limitation, any amount required to be paid by such Lender to (a) the Issuing Bank pursuant to Section 2.03(c) to purchase a portion of a Letter of Credit Advance made by the Issuing Bank, (b) the Agent pursuant to Section 2.02(d) to reimburse the Agent for the amount of any Advance made by the Agent for the account of such Lender, (c) any other Lender pursuant to Section 2.13 to purchase any participation in Advances owing to such other Lender or the Issuing Bank and (d) the Agent or the Issuing Bank pursuant to Section 7.05 to reimburse the Agent or the Issuing Bank for such Lender's ratable share of any amount required to be paid by the Lenders to the Agent or the Issuing Bank as provided therein. In the event that a portion of a Defaulted Amount shall be deemed paid pursuant to Section 2.15(b), the remaining portion of such Defaulted Amount shall be considered a Defaulted Amount originally required to be paid hereunder or under any other Loan Document on the same date as the Defaulted Amount so deemed paid in part.

"Defaulting Lender" means, at any time, any Lender that, at such time, (a) owes a Defaulted Advance or a Defaulted Amount or (b) shall take or be the subject of any action or proceeding of a type described in Section 6.01(f).

"Disclosure Statement" has the meaning specified in the Preliminary Statements.

"Domestic Lending Office" means, with respect to any Lender or the Issuing Bank, the office of such Lender or the Issuing Bank specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender and/or the Issuing Bank, as the case may be, or such other office of such Lender or Issuing Bank as such Lender or Issuing Bank may from time to time specify to the Borrower and the Agent.

"EBITDA" means, for any Person for any period, (a) net income (or net loss) plus (b) the sum of (i) Interest Expense, (ii) interest expense in respect of Subordinated Notes and Redeemable Preferred Stock, (iii) income tax expense, (iv) depreciation expense, (v) amortization expense and (vi) extraordinary or unusual losses deducted in calculating net income less extraordinary or unusual gains added in calculating net income, in each case adjusted for noncash charges relating to employee options and determined in accordance with GAAP for such Person for such period.

"Eligible Assignee" means (a) with respect to any Facility (other than the Letter of Credit Facility), (i) a Lender; (ii) an Affiliate of a Lender; (iii) a commercial bank organized under the laws of the United States, or any State thereof, and having a combined capital and surplus in excess of $250,000,000; (iv) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof, and having a combined capital and surplus in excess of $250,000,000; (v) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, and having a combined capital and surplus in excess of $250,000,000, so long as such bank is acting through a branch or agency located in the country in which

it is organized or another country that is described in this clause (v); (vi) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and having a combined capital and surplus of at least $250,000,000 or with respect to a fund with total assets under its management in excess of $250,000,000; and (vii) any other Person approved by the Agent and the Borrower, such approval not to be unreasonably withheld or delayed, and (b) with respect to the Letter of Credit Facility, a Person that is an Eligible Assignee under subclause (iii) or (v) of clause (a) of this definition and who (1) becomes the Issuing Bank hereunder and (2) is approved by the Agent and the Borrower, such approval not to be unreasonably withheld or delayed; provided, --------

however, that (x) neither the Borrower, any Loan Party nor any Affiliate of -------

the Borrower or any Loan Party shall qualify as an Eligible Assignee under this definition and (y) at no time may there be more than one Issuing Bank hereunder.

"Eligible Inventory" means any Inventory owned by the Borrower free ------------------

and clear of all Liens (other than Liens in favor of the Agent, the Lenders, the Issuing Bank and the Hedge Banks securing the Secured Obligations) other than the following:

(a) Inventory consisting of "perishable agricultural commodities" within the meaning of the Perishable Agricultural Commodities Act of 1930,

as amended, and the regulations thereunder, or on which a Lien has arisen or may arise in favor of agricultural producers under comparable state or local laws;

(b) Inventory located on leaseholds as to which the lessor has not entered into a consent and agreement providing the Agent with the right to receive notice of default, the right to repossess such Inventory at any time and such other rights as may be reasonably requested by the Agent;

(c) Inventory in respect of which the Security Agreement, after giving effect to the related filings of financing statements that have then been made, if any, does not or has ceased to create a valid and perfected first priority Lien in favor of the Agent, the Lenders and the Issuing Bank securing the Secured Obligations;

(d) Inventory with respect to which the representations and warranties set forth in Section 8 of the Security Agreement that are applicable to Inventory are not true and correct;

(e) Inventory consisting of promotional and marketing materials and supplies, packaging materials and supplies and/or shipping materials and supplies;

(f) Inventory that fails to meet all standards imposed by any governmental agency, or department or division thereof, having regulatory authority over such Inventory, its use or its sale;

(g) Inventory that is subject to any licensing, patent, royalty, trademark, trade name or copyright agreements with any third party from whom the Borrower or such Subsidiary has received notice of a dispute in respect of any such agreement;

(h) Inventory that is not in the possession of or under the sole control of the Borrower or such Subsidiary;

(i) Inventory located outside the United States;

(j) Inventory consisting of work in progress; and

(k) Inventory that is obsolete, unusable or otherwise unavailable for sale in the ordinary course of business of the Borrower or such Subsidiary.

The value of such Eligible Inventory shall be its book value determined in accordance with GAAP unless the Agent determines, in its reasonable discretion (taking into consideration, among other factors, its cost and its liquidation value), that such Eligible Inventory shall be valued at a lower value.

"Employment Agreements" has the meaning specified in Section 3.01(l)(xiii).

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree, or judicial or agency interpretation, policy or guidance relating to the environment, health, safety or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equity Investors" means Dickstein & Co., L.P., Dickstein International, Limited, Viking Holdings Limited and any other Person that is an investment entity and is directly or indirectly controlled or managed by (i) Dickstein Partners Inc. or (ii) any other Person controlled by or under common control with Dickstein Partners Inc.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" of any Person means any other Person that for purposes of Title IV of ERISA is a member of such Person's controlled group, or under common control with such Person, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" with respect to any Person means (a) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan of such Person or any of its ERISA Affiliates unless the 30-day notice requirement with respect to such event has been waived by the PBGC; (b) the provision by the administrator of any Plan of such Person or any of its ERISA Affiliates of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (c) the cessation of operations at a facility of such Person or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (d) the withdrawal by such Person or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (e) the failure by such Person or any of its ERISA Affiliates to make a payment to a Plan required under Section 302(f)(1) of ERISA; (f) the adoption of an amendment to a Plan of such Person or any of its ERISA Affiliates requiring the provision of security to such Plan, pursuant to Section 307 of ERISA; or (g) the institution by the PBGC of proceedings to terminate a Plan of such Person

or any of its ERISA Affiliates, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"Eurocurrency Liabilities" has the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum at which deposits in U.S. dollars are offered by the principal office of BNP in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to BNP's Eurodollar Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period.

"Eurodollar Rate Advance" means an Advance that bears interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Excess Cash Flow" means, for any period, the sum of (a) Consolidated net income (or net loss) of the Borrower and its Subsidiaries for such period plus (b) an amount equal to the aggregate amount of all noncash charges deducted in arriving at such Consolidated net income (or net loss) for such period plus (c) an amount (whether positive or negative) equal to the change in Consolidated Current Liabilities of the Borrower and its Subsidiaries during such period less (d) any gain from the sale, lease, transfer or other disposition of any assets of the Borrower or any of its Subsidiaries (other than sales of Inventory in the ordinary course of business) the Net Cash Proceeds of which are used to repay Funded Debt less (e) an amount equal to the aggregate amount of all noncash credits and other noncash items of income included in arriving at such Consolidated net income (or net loss) for such period less (f) an amount (whether positive or negative) equal to the change in Consolidated Current Assets (excluding cash and Cash Equivalents) of the Borrower and its Subsidiaries during such period less (g) an amount equal to the amount of all Capital Expenditures

of the Borrower and its Subsidiaries paid in cash during such period to the extent permitted by this Agreement less (h) an amount equal to the aggregate amount of (i) all regularly scheduled principal payments of Funded Debt made during such period, (ii) all mandatory and optional prepayments during such period of Funded Debt that was incurred to finance Capital Expenditures and (iii) any optional prepayments of any Term Advances made during such period in accordance with Section 2.06(a).

"Facility" means the Term Facility, the Working Capital Facility or the Letter of Credit Facility.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period (i) to the rate published by the Telerate service on page five of its daily report as the "New York Offered Rate" as of 10:00 A.M. (New York City time) for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) or (ii) if the Telerate service shall cease to publish or otherwise shall not publish such rates for any day that is a Business Day, to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any period, the ratio of (a) Consolidated EBITDA for such Person and its Subsidiaries for such period on an Actual Basis less Capital Expenditures of such Person and its Subsidiaries during such period on an Annualized Basis (for purposes of this calculation limited to $400,000 in the first fiscal year following the date hereof) less income taxes of such Person and its Subsidiaries that have been paid in cash during such period on an Annualized Basis to (b) the sum of (i) Interest Expense of such Person and its Subsidiaries for such period on an Annualized Basis and (ii) regularly scheduled cash principal payments of Funded Debt of such Person and its Subsidiaries made during such period on an Annualized Basis.

"Funded Debt" of any Person means Debt in respect of the Advances, in the case of the Borrower, and all other Debt of such Person that by its terms finally matures more than one year after the date of creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year after such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year after such date.

"GAAP" has the meaning specified in Section 1.03.

"Guarantors" means SC Corporation, Royal and Western; provided that, if the Merger shall occur, Guarantors means Newco(s), Royal and Western.

"Guaranty" has the meaning specified in Section 3.01(l)(xi); provided that, if the Merger shall occur, Guaranty shall in addition mean all guaranties entered into pursuant to Section 5.02(d) in connection with the Merger.

"Hazardous Materials" means (a) petroleum or petroleum products,

radioactive materials, asbestos-containing materials and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as being "hazardous" or "toxic" or words of similar import under any Environmental Law.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Hedge Banks" has the meaning specified in the Security Agreement.

"Indemnified Party" has the meaning specified in Section 8.04(b).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Coverage Ratio" means, with respect to any Person for any period, the ratio of (a) Consolidated EBITDA of such Person and its Subsidiaries for such period on an Actual Basis to (b) Interest Expense of such Person and its Subsidiaries for such period on an Annualized Basis.

"Interest Expense" means, with respect to any Person for any period, interest expense (including the interest component on obligations under Capitalized Leases but excluding interest expense, if any, in respect of Subordinated Notes and Redeemable Preferred Stock), whether paid or accrued, on all Debt of such Person and its Subsidiaries for such period, including, without limitation, (a) interest expense in respect of Debt resulting from Advances, (b) commissions, discounts and other fees and charges payable in connection with letters of credit (including, without limitation, any Letters of Credit) and (c) any net payment payable in connection with Hedge Agreements less any net credits received in connection with Hedge Agreements.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance, and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period with respect to any Eurodollar Rate Advance under a Facility that ends after any principal repayment installment date for such Facility unless, after giving effect to such selection, the aggregate principal amount of Base Rate Advances and of Eurodollar Rate Advances having Interest Periods that end on or prior to such principal repayment installment date for such Facility shall be at least equal to the aggregate principal amount of Advances under such Facility due and payable on or prior to such date;

(b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration;

(c) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following

calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and

(d) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Inventory" has the meaning specified in the Security Agreement.

"Investment" in any Person means any loan or advance to such Person, any purchase or other acquisition of any capital stock or other ownership or profit interest, warrants, rights, options, obligations or other securities of such Person, any capital contribution to such Person or any other investment in such Person, including, without limitation, any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (i) or (j) of the definition of "Debt" in respect of such Person.

"Issuing Bank" means BNP, as issuer of a Letter of Credit or any Eligible Assignee that shall become the Issuing Bank hereunder pursuant to Section 8.07.

"L/C Cash Collateral Account" has the meaning specified in the Security Agreement.

"L/C Related Documents" has the meaning specified in Section 2.04(c)(ii)(A).

"Lenders" means the Banks and each Eligible Assignee of a Lender that shall become a party hereto pursuant to Section 8.07.

"Letters of Credit" has the meaning specified in Section 2.01(c).

"Letter of Credit Advance" means an advance made by the Issuing Bank or any Lender pursuant to Section 2.03(c).

"Letter of Credit Agreement" has the meaning specified in Section 2.03(a).

"Letter of Credit Commitment" means, with respect to the Issuing Bank at any time, the amount set forth opposite the Issuing Bank's name on Schedule I hereto under the caption "Letter of Credit Commitment" or, if the Issuing Bank has entered into an Assignment and Acceptance in favor of another Issuing Bank, set forth for such other Issuing Bank in the Register maintained by the Agent pursuant to Section 8.07(e) as such other Issuing Bank's "Letter of Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Letter of Credit Facility" means the amount of the Letter of Credit Commitment of the Issuing Bank.

"Leverage Ratio" means, with respect to any Person at any date of determination, the ratio of (a) Funded Debt (excluding Subordinated Debt and Redeemable Preferred Stock) of such Person and its Subsidiaries at such

date to (b) Consolidated EBITDA of such Person and its Subsidiaries during the most recently completed Rolling Period, on an Actual Basis.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loan Documents" means this Agreement, the Notes, each Guaranty, the Collateral Documents, each Letter of Credit Agreement, the letter dated the date hereof from the Borrower to the Agent relating to certain post-closing undertakings of the Borrower and each other agreement evidencing the payment of obligations secured by the Collateral Documents.

"Loan Parties" means the Borrower, each Guarantor and each Collateral Grantor.

"Loan Value" means with respect to all Eligible Inventory, 50% of the value of any item of Eligible Inventory; provided, however, that the Agent may, in its reasonable discretion following an audit field examination and based on its analysis of potential factors arising after the date hereof that may dilute the value of Eligible Inventory, revise from time to time the percentage of the value of any individual item of Eligible Inventory that shall be used in determining Loan Value.

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Change" means any material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries, (b) the rights and remedies of the Agent, any Lender or the Issuing Bank under any Loan Document or Related Document or (c) the ability of any Loan Party to perform its Obligations under any Loan Document or Related Document to which it is or is to be a party.

"Material Contract" means, with respect to any Person, each contract (other than any employee benefit plan or the Employment Agreements) to which such Person is a party the absence of which would be material to the business, condition (financial or otherwise), operations, performance, properties or prospects of such Person.

"Merger" has the meaning specified in the Preliminary Statements.

"Multiemployer Plan" of any Person means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which such Person or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and at least one Person other than such Person and its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or other disposition of any asset or the incurrence or issuance of any Debt or capital stock, any securities convertible into or exchangeable for capital stock or any warrants, rights or options to acquire capital stock by any Person, the aggregate amount of cash received from time to time by or on behalf of such Person in connection with such transaction after deducting therefrom only (a) reasonable and customary registration fees, brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions and (b) the amount of taxes payable in connection with or as a result of such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate and are properly attributable to such transaction or to the asset that is the subject thereof.

"Net Worth" means, at any date of determination, an amount equal to $3,050,000 plus cumulative net income (or net loss) of the Borrower and its Subsidiaries on a Consolidated basis, excluding (a) extraordinary or unusual losses or gains deducted or added, as the case may be, in calculating net income, in each case adjusted for any tax impact and (b) noncash charges relating to employee options, following the date hereof.

"Newco(s)" has the meaning specified in the Preliminary Statements.

"Nonratable Assignment" means an assignment by a Lender pursuant to Section 8.07(a) of a portion of its rights and obligations under this Agreement, other than an assignment of a uniform, and not a varying, percentage of all of the rights and obligations of such Lender under and in respect of all of the Facilities.

"Note" means a Term Note or a Working Capital Note.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Issuance" has the meaning specified in Section 2.03(a).

"NPL" means National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"Obligation" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected

by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation of any Loan Party to reimburse any amount in respect of any of the foregoing that any Lender, in its sole discretion, may elect to pay or advance on behalf of such Loan Party.

"OECD" means the Organization for Economic Cooperation and Development.

"Open Year" has the meaning specified in Section 4.01(x).

"Other Taxes" has the meaning specified in Section 2.12(b).

"Payroll Accounts" has the meaning specified in the Security

Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Liens" means such of the following as to which no
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enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that (i) are not overdue for a period of more than 30 days and (ii) either individually or when aggregated with all other Permitted Liens outstanding on any date of determination, do not materially affect the use or value of the property to which they relate; (c) pledges or deposits to secure obligations under workers' compensation laws, social security laws or similar legislation or to secure public or statutory obligations; and (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes.

"Person" means an individual, partnership, corporation (including a
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business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Plan of Reorganization" has the meaning specified in the Preliminary
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Statements.

"Pledge Agreement" has the meaning specified in Section 3.01(l)(x);
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provided that, if the Merger shall occur, Pledge Agreement shall mean in
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addition all pledge agreements entered into pursuant to Section 5.02(d) in connection with the Merger.

"Preferred Stock" means, with respect to any corporation, capital
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stock issued by such corporation that is entitled to a preference or priority over any other capital stock issued by such corporation upon any distribution of such corporation's assets, whether by dividend or upon liquidation.

"Pro Rata Share" of any amount means, with respect to any Working
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Capital Lender at any time, the product of such amount times a fraction the
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numerator of which is the amount of such Lender's Working Capital Commitment at such time and the denominator of which is the Working Capital Facility at such time.

"Receivables" has the meaning specified in the Security Agreement.

"Redeemable" means, with respect to any capital stock or other
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ownership interest, Debt or other right or Obligation, any such right or Obligation that (a) the issuer has undertaken to redeem at a fixed or determinable date or dates, whether by operation of a sinking fund or

otherwise, or upon the occurrence of a condition not solely within the control of the issuer or (b) is redeemable at the option of the holder.

"Register" has the meaning specified in Section 8.07(e).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Related Documents" means the documents effecting the Reorganization, the Subordinated Debt Documents, any Tax Sharing Agreements and the Wigs Note.

"Reorganization" has the meaning specified in the Preliminary Statements.

"Required Lenders" means at any time Lenders owed or holding at least 60% of the sum of (a) the aggregate principal amount of the Advances outstanding at such time, (b) the aggregate Available Amount of all Letters of Credit outstanding at such time and (c) the aggregate Unused Working Capital Commitments at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time, (i) the aggregate principal amount of the Advances made by such Lender and outstanding at such time, (ii) such Lender's Pro Rata Share of the aggregate Available

Amount of all Letters of Credit outstanding at such time and (iii) the aggregate unused Commitments of such Lender under all the Facilities at such time shall be excluded from the determination of Required Lenders at such time. For purposes of this definition, the Available Amount of each Letter of Credit shall be considered to be owed to the Working Capital Lenders and the Issuing Bank ratably in accordance with their respective Working Capital Commitments.

"Rolling Period" means (a) with respect to any month ending prior to December 1, 1995, the period commencing on December 1, 1994 and ending on the last day of such month and (b) with respect to any month ending thereafter, the consecutive 12-month period ending on the last day of such month.

"Royal" means Royal Advertising & Marketing, Inc.

"SC Corporation" has the meaning specified in the Preliminary Statements.

"Secured Obligations" has the meaning specified in the Security Agreement.

"Security Agreement" has the meaning specified in Section 3.01(l)(viii).

"Single Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and no Person other than such Person and its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Solvent" and "Solvency" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present

fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Standby Letter of Credit" means any Letter of Credit issued under the Letter of Credit Facility, other than a Trade Letter of Credit.

"Subordinated Debt" means the Subordinated Notes and any other Debt of SC Corporation, or if the Merger occurs, of the Borrower, that is subordinated to the Obligations of SC Corporation or the Borrower, as the case may be, under the Loan Documents on, and that otherwise contains, terms and conditions satisfactory to the Required Lenders.

"Subordinated Debt Documents" means the Subordinated Notes and all other agreements, indentures and instruments pursuant to which Subordinated Debt is issued.

"Subordinated Notes" means the subordinated notes issued by SC Corporation on terms satisfactory to the Lenders on the date hereof.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries; provided that (a) Western shall be deemed a Consolidated Subsidiary of the Borrower for all purposes and (b) After the Stork, Inc. and Brotman Acquisition Corp. and their respective Subsidiaries shall be deemed not to be Subsidiaries of the Borrower.

"Tax Certificate" has the meaning specified in Section 5.03(n).

"Tax Sharing Agreements" means any tax sharing agreements entered into by the Borrower and any of its Affiliates after the date hereof in compliance with Section 5.02(l).

"Taxes" has the meaning specified in Section 2.12(a).

"Term Advance" has the meaning specified in Section 2.01(a).

"Term Borrowing" means a borrowing consisting of simultaneous Term Advances of the same Type made by the Term Lenders.

"Term Commitment" means, with respect to any Term Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Term Commitment" or, if such Lender has entered into one or more Assignments and Acceptances, set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(e) as such Lender's "Term Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Term Facility" means, at any time, the aggregate amount of the Term Lenders' Term Commitments at such time.

"Term Lender" means any Lender that has a Term Commitment.

"Term Note" means a promissory note of the Borrower payable to the order of any Term Lender, in substantially the form of Exhibit A-1 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Term Advance made by such Lender.

"Termination Date" means the earlier of May 22, 1999 and the date of termination in whole of the Total Commitments pursuant to Section 2.05 or 6.01.

"Total Commitment" means, with respect to each Lender at any time, the aggregate of such Lender's Term Commitment and Working Capital Commitment at such time.

"Trade Letter of Credit" means any Letter of Credit that is issued under the Letter of Credit Facility for the benefit of a supplier of Inventory to the Borrower or any of its Subsidiaries to effect payment for such Inventory, the conditions to drawing under which include the presentation to the Issuing Bank of negotiable bills of lading, invoices and related documents sufficient, in the judgment of the Issuing Bank, to create a valid and perfected lien or security interest on such Inventory.

"Trademark and Copyright Security Agreement" has the meaning specified in Section 3.01(l)(ix).

"Type" refers to the distinction between Advances bearing interest at the Base Rate and Advances bearing interest at the Eurodollar Rate.

"Unused Working Capital Commitment" means, with respect to any Working Capital Lender at any time, (a) such Lender's Working Capital Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Working Capital Advances and Letter of Credit Advances made by such Lender and outstanding at such time, plus (ii) such Lender's Pro Rata Share of (A) the aggregate Available

Amount of all Letters of Credit outstanding at such time and (B) to the extent not included in clause (b)(i) of this definition, the aggregate principal amount of all Letter of Credit Advances made by the Issuing Bank pursuant to Section 2.03(c) and outstanding at such time.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Welfare Plan" means a welfare plan, as defined in Section 3(1) of ERISA.

"Western" has the meaning specified in the Preliminary Statements.

"Wigs" has the meaning specified in the recital of parties to this
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Agreement.

"Wigs Note" means a subordinated promissory note made by the Borrower
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payable to Western evidencing Debt of the Borrower owed to Western from time to time.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle
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E of Title IV of ERISA.

"Working Capital Advance" has the meaning specified in Section
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2.01(b).

"Working Capital Borrowing" means a borrowing consisting of
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simultaneous Working Capital Advances of the same Type made by the Working Capital Lenders.

"Working Capital Commitment" means, with respect to any Working
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Capital Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Working Capital Commitment" or, if such Lender has entered into one or more Assignments and Acceptances, set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(e) as such Lender's "Working Capital Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Working Capital Facility" means, at any time, the aggregate amount of
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the Working Capital Lenders' Working Capital Commitments at such time.

"Working Capital Lender" means any Lender that has a Working Capital
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Commitment.

"Working Capital Note" means a promissory note of the Borrower payable to
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the order of any Working Capital Lender, in substantially the form of Exhibit A-2 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Working Capital Advances made by such Lender.

SECTION 1.02. Computation of Time Periods. In this Agreement in the
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computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not
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specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(f) ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND THE LETTERS OF CREDIT

SECTION 2.01. The Advances. (a) The Term Advances. Each Term
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Lender severally agrees, on the terms and conditions hereinafter set forth, to make a single advance (a "Term Advance") to the Borrower on the date hereof in
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an amount not to exceed such Lender's Term Commitment on such Business Day. Amounts borrowed under this Section 2.01(a) and repaid or prepaid may not be reborrowed.

(b) The Working Capital Advances. Each Working Capital Lender severally agrees, on the terms and conditions hereinafter set forth, to make advances (each a "Working Capital Advance") to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date in an amount for each such Advance not to exceed such Lender's Unused Working Capital Commitment on such Business Day. Each Working Capital Borrowing shall be in an aggregate amount of $100,000 or an integral multiple of $50,000 in excess thereof (other than a Borrowing the proceeds of which shall be used solely to repay or prepay in full outstanding Letter of Credit Advances made by the Issuing Bank) and shall consist of Working Capital Advances made by the Working Capital Lenders ratably according to their Working Capital Commitments. Within the limits of each Working Capital Lender's Unused Working Capital Commitment in effect from time to time, the Borrower may borrow under this Section 2.01(b), prepay pursuant to Section 2.06(a) and reborrow under this Section 2.01(b).

(c) Letters of Credit. The Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (the "Letters of Credit") for the account of the Borrower from time to time on any Business Day during the period from the date of the initial Borrowing until the Termination Date (i) in an aggregate Available Amount for all Letters of Credit not to exceed at any time the Issuing Bank's Letter of Credit Commitment, (ii) in an Available Amount for each such Letter of Credit not to exceed the Unused Working Capital Commitments of the Working Capital Lenders on such Business Day and (iii) in an aggregate Available Amount for all Standby Letters of Credit not to exceed at any time $100,000. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than the earlier of the Termination Date and (A) in the case of a Standby Letter of Credit, one year after the date of issuance thereof, but may by its terms be renewable annually with the consent of the Issuing Bank and the Agent, and (B) in the case of a Trade Letter of Credit, 60 days after the date of issuance thereof. The Borrower shall maintain on deposit in the L/C Cash Collateral Account an amount equal to 103% of the aggregate Available Amount of all Letters of Credit outstanding during the period within 60 days prior to the Termination Date. Within the limits of the Letter of Credit Facility, and subject to the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(c), repay any Letter of Credit Advances resulting from drawings thereunder pursuant to Section 2.03(c) and request the issuance of additional Letters of Credit under this Section 2.01(c).

(d) Clean-down. Notwithstanding the provisions of Sections 2.01(b) and 2.01(c), no Borrowings may be made under Section 2.01(b) during any Clean-down Period.

SECTION 2.02. Making the Advances. (a) Except as otherwise provided in Section 2.02, each Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurodollar Rate Advances, or the first Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Agent, which shall give to each Appropriate Lender prompt notice thereof by telex or telecopier. Each such notice of a Borrowing (a "Notice of Borrowing") shall be by telex or telecopier, confirmed immediately in writing, in substantially the form of Exhibit B hereto, specifying therein the requested (i) date of such Borrowing, (ii) Facility under which such Borrowing is to be made, (iii) Type of Advances comprising such Borrowing, (iv) aggregate amount of such Borrowing and (v) in the case of a Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Advance. In the case of a proposed Borrowing comprised of Eurodollar Rate Advances, the Agent shall promptly notify each Appropriate Lender of the applicable interest rate under Section 2.07(a)(ii). Each Appropriate Lender shall, before 11:00 A.M. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day

funds, such Lender's

ratable portion of such Borrowing in accordance with the respective Commitments under the applicable Facility of such Lender and the other Appropriate Lenders. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower by crediting the Borrower's Account; provided, however, that, in
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the case of any Working Capital Borrowing, the Agent shall first make a portion of such funds equal to the aggregate principal amount of any Letter of Credit Advances made by the Issuing Bank and by any other Working Capital Lender and outstanding on the date of such Working Capital Borrowing, plus interest accrued and unpaid thereon to and as of such date, available to the Issuing Bank, as the case may be, and such other Working Capital Lenders for repayment of such Letter of Credit Advances.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for the initial Borrowing hereunder or for any Borrowing if the aggregate amount of such Borrowing is less than $1,000,000 or if the obligation of the Appropriate Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.10 and (ii) the Advances may not be outstanding as part of more than 4 separate Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Appropriate Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from an Appropriate Lender prior to the date of any Borrowing under a Facility under which such Lender has a Commitment that such Lender will not make available to the Agent such Lender's ratable portion of such Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay or pay to the Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid or paid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at such time under Section 2.07 to Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If

such Lender shall pay to the Agent such corresponding amount, such amount so paid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. Issuance of and Drawings and Reimbursement Under
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Letters of Credit. (a) Request for Issuance. Each Letter of Credit shall be
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issued upon notice, given not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to the Issuing Bank, which shall give to the Agent and each Working Capital Lender prompt notice thereof by telex or telecopier. Each such notice of issuance of a Letter of Credit (a "Notice of Issuance") shall be

by telex or telecopier, confirmed immediately in writing, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, and shall be accompanied by such application and agreement for letter of credit (a "Letter of Credit Agreement") as the Issuing Bank may specify to the Borrower for use in connection with such requested Letter of Credit. If (x) the requested form of such Letter of Credit is acceptable to the Issuing Bank in its sole discretion and (y) it has not received notice of objection to the form of such Letter of Credit from Lenders holding at least 60% of the Working Capital Commitments, the Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance. In the event and to the extent that the provisions of any Letter of Credit Agreement shall conflict with this Agreement, the provisions of this Agreement shall govern.

(b) Letter of Credit Reports. The Issuing Bank shall furnish (A) to the Agent on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued during the previous week and drawings during such week under all Letters of Credit, (B) to each Working Capital Lender on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued during the preceding month and drawings during such month under all Letters of Credit and (C) to the Agent and each Working Capital Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit.

(c) Drawing and Reimbursement. The payment by the Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the

making by the Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the amount of such draft. Upon written demand by the Issuing Bank, with a copy of such demand to the Agent, each Working Capital Lender shall purchase from the Issuing Bank, and the Issuing Bank shall sell and assign to each such Working Capital Lender, such Lender's Pro Rata Share of such outstanding Letter of Credit Advance as of the date of such purchase, by making available for the account of its Applicable Lending Office to the Agent for the account of the Issuing Bank, by deposit to the Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Letter of Credit Advance to be purchased by such Lender. Promptly after receipt thereof, the Agent shall transfer such funds to the Issuing Bank. The Borrower hereby agrees to each such sale and assignment. Each Working Capital Lender agrees to purchase its Pro Rata Share of an outstanding Letter of Credit Advance on (i) the Business Day on which demand therefor is made by the Issuing Bank, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by the Issuing Bank to any other Working Capital Lender of a portion of a Letter of Credit Advance, the Issuing Bank represents and warrants to such other Lender that the Issuing Bank is the legal and beneficial owner of such interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Letter of Credit Advance, the Loan Documents or any Loan Party. If and to the extent that any Working Capital Lender shall not have so made the amount of such Letter of Credit Advance available to the Agent, such Working Capital Lender agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Issuing Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for its account or the account of the Issuing Bank, as applicable. If such Lender shall pay to the Agent such amount for the account of the Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by the Issuing Bank shall be reduced by such amount on such Business Day.

(d) Failure to Make Letter of Credit Advances. The failure of any

Lender to make the Letter of Credit Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other Lender of its obligation hereunder to make its Letter of Credit Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Letter of Credit Advance to be made by such other Lender on such date.

SECTION 2.04. Repayment of Advances. (a) Term Advances. The Borrower shall repay to the Agent for the ratable account of the Term Lenders the aggregate outstanding principal amount of the Term Advances on the following dates in the amounts indicated:

<TABLE>
<CAPTION>

Date	Amount
<S>	<C>
March 31, 1995	$ 500,000
June 30, 1995	500,000
September 30, 1995	500,000
December 31, 1995	1,000,000
March 31, 1996	550,000
June 30, 1996	550,000
September 30, 1996	550,000
December 31, 1996	1,100,000
March 31, 1997	650,000
June 30, 1997	650,000
September 30, 1997	650,000
December 31, 1997	1,300,000
March 31, 1998	750,000
June 30, 1998	750,000
September 30, 1998	750,000
December 31, 1998	1,500,000
March 31, 1999	875,000
May 22, 1999	875,000

</TABLE>

(b) Working Capital Advances. The Borrower shall repay to the Agent for the ratable account of the Working Capital Lenders on the Termination Date the aggregate outstanding principal amount of the Working Capital Advances then outstanding.

(c) Letter of Credit Advances. (i) The Borrower shall repay to the Agent for the account of the Issuing Bank and each other Working Capital Lender that has made a Letter of Credit Advance on demand the outstanding principal amount of each Letter of Credit Advance made by each of them.

(ii) The Obligations of the Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument relating to any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms

of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances:

(A) any lack of validity or enforceability of this Agreement, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (this Agreement and all of the other foregoing being, collectively, the "L/C Related Documents");

(B) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(C) the existence of any claim, set-off, defense or other right that

the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(D) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(E) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(F) any exchange, release or non-perfection of any Collateral or other collateral, or any release or amendment or waiver of or consent to departure from the Guaranty or any other guarantee, for all or any of the Obligations of the Borrower in respect of the L/C Related Documents; or

(G) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower, any Guarantor or any other guarantor.

SECTION 2.05. Reduction of the Commitments. (a) Optional. (i) The Borrower may, upon at least five Business Days' notice to the Agent, terminate in whole or reduce in part the unused portions of the Letter of Credit Commitments and the Unused Working Capital Commitments; provided, however, that each partial reduction of a Facility (A) shall be in an aggregate amount of $100,000 or an integral multiple of $50,000 in excess

thereof and (B) shall be made ratably among the Appropriate Lenders in accordance with their Commitments with respect to such Facility.

(ii) Upon any such optional Commitment reduction, the Borrower shall pay to the Agent for the account of each Appropriate Lender (other than any Lender that is, at such time, a Defaulting Lender) a reduction premium equal to the percentage set forth below opposite the period in which such Commitment reduction occurs multiplied by the dollar amount by which such Lender's Commitment is so reduced, payable on the date of such reduction:

<TABLE>
<CAPTION>

Commitment Reduction Date	Premium
<S>	<C>
November 23, 1994 through November 22, 1995	3.00%
November 23, 1995 through November 22, 1996	2.00%
After November 22, 1996	1.00%

</TABLE>

provided, however, that no such premium shall be payable (A) to the extent that such Commitment reduction is accomplished by obtaining new commitments under a new financing facility provided by BNP, as agent, or (B) if such reduction occurs in connection with the acquisition by any Loan Party of a related business, including, without limitation, any direct marketing business, and (x) BNP is given notice thereof and at least 10 Business Days to respond with an offer, subject to committee approval, of terms for such refinancing, (y) BNP either elects not to make such an offer after receipt of such notice or makes such an offer but does not obtain committee approval for such transaction within 20 Business Days of such notice and (z) such transaction is refinanced with a commercial bank or banks other than BNP on substantially the terms specified in such notice.

(b) Mandatory. The Working Capital Facility and the Letter of Credit Facility shall be automatically and permanently reduced on the date on which any prepayment is, or would have been if Term Advances had then been outstanding, required to be made pursuant to Section 2.06(b) by (i) the amount of any Excess Cash Flow in excess of the amounts required to pay the Term Advances pursuant to Section 2.06(b)(i) and (ii) any Net Cash Proceeds in excess of the amounts

required to prepay the Term Advances pursuant to Section 2.06(b)(ii).

SECTION 2.06. Prepayments. (a) Optional. (i) The Borrower may, upon at least three Business Days' notice, in the case of Eurodollar Rate Advances, or upon at least one Business Day's notice, in the case of Base Rate Advances, in each case to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding aggregate principal amount of

the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the aggregate principal amount prepaid unless such prepayment is with respect to a Working Capital Advance or Letter of Credit Advance which is a Base Rate Advance;

provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of $100,000 or an integral multiple of $50,000 in excess thereof, (y) if any prepayment of a Eurodollar Rate Advance is made on a date other than the last day of an Interest Period for such Advance the Borrower shall also pay any amounts owing pursuant to Section 8.04(c). Each such prepayment of any Term Advances shall be applied pro rata to the remaining installments thereof.

(ii) Upon any such optional prepayment of any Term Advance, the Borrower shall pay to the Agent for the account of each Appropriate Lender (other than any Lender that is, at such time, a Defaulting Lender) a prepayment premium equal to the percentage set forth below opposite the period in which such prepayment occurs multiplied by the dollar amount of such prepayment, payable on the date of such prepayment:

<TABLE>
<CAPTION>

Prepayment Date	Premium
<S>	<C>
November 23, 1994 through November 22, 1995	3.00%
November 23, 1995 through November 22, 1996	2.00%
After November 22, 1996	1.00%

</TABLE>

provided, however, that no such premium shall be payable (A) to the extent such prepayment is accomplished with funds generated from operations of the Borrower and its subsidiaries in the ordinary course of business, (B) to the that extent such prepayment is accomplished by obtaining new commitments under a new financing facility provided by BNP, as agent, or (C) if such prepayment occurs in connection with the acquisition by the Loan Parties of a related business, including, without limitation, any direct marketing business, and (x) BNP is given notice thereof and at least 10 Business Days to respond with an offer, subject to committee approval, of terms for such refinancing, (y) BNP either elects not to make such an offer after receipt of such notice or makes such an offer but does not obtain committee approval for such transaction within 20 Business Days of such notice and (z) such transaction is refinanced with a commercial bank or banks other than BNP on substantially the terms specified in such notice.

(b) Mandatory. (i) Commencing with the 1995 fiscal year, the Borrower shall, on the 30th day following the date of delivery of the annual financial statements of the Borrower and its Subsidiaries pursuant to Section 5.03(d), but in any event not more than 125 days after the end of each fiscal year, prepay an aggregate principal amount of the Advances comprising part of the same Borrowings equal to 75% of the amount of Excess

Cash Flow for such fiscal year. Each such prepayment shall be applied first to the Term Facility, pro rata to the remaining installments thereof and second to the permanent reduction of the Working Capital Facility; provided that the

Borrower shall not be required to make any prepayment with respect to the first $200,000 of Excess Cash Flow.

(ii) The Borrower shall, within one Business Day following the date of receipt of the Net Cash Proceeds by any Loan Party or any of its Subsidiaries from (A) the sale, lease, transfer or other disposition of any material assets of the Borrower or any of its Subsidiaries (other than sales of Inventory in the ordinary course of business), (B) the incurrence or issuance by the Borrower or any of its Subsidiaries of any Debt (except Debt permitted pursuant to Section 5.02(b)) and (C) the sale or issuance by any Loan Party or any of its Subsidiaries of any capital stock or other ownership or profit interest, any securities convertible into or exchangeable for capital stock or other ownership or profit interest or any warrants, rights or options to acquire capital stock or other ownership or profit interest, excluding any sales or issuances referred to in the foregoing clause (C) that are required to fund puts and calls under the terms of the Employment Agreements, prepay an aggregate principal amount of the Advances comprising part of the same Borrowings equal to the amount of such Net Cash Proceeds. Each such prepayment shall be applied first to the Term Facility, pro rata to the remaining installments thereof and second to the permanent reduction of the Working Capital Facility.

(iii) The Borrower shall, on each Business Day, prepay an aggregate principal amount of the Working Capital Advances comprising part of the same Borrowings and the Letter of Credit Advances equal to the amount by which (A) the sum of the aggregate principal amount of (x) the Working Capital Advances and (y) the Letter of Credit Advances plus the aggregate of the respective Available Amounts under each Letter of Credit then outstanding exceeds (B) the lesser of the Working Capital Facility and the Loan Value of Eligible Inventory on such Business Day.

(iv) The Borrower shall, on each Business Day, pay to the Agent for deposit in the L/C Cash Collateral Account an amount sufficient to cause the aggregate amount on deposit in such Account to equal the amount by which the aggregate Available Amount of all Letters of Credit then outstanding exceeds the Letter of Credit Facility on such Business Day.

(v) The Borrower shall, on the first day of each Clean-down Period, prepay in full all Working Capital Advances and on each day of each Clean-down Period prepay in full any Letter of Credit Advances then outstanding and shall deposit in the L/C Cash Collateral Account an amount equal to 103% of the excess of the aggregate Available Amounts of all Letters of Credit then outstanding over $750,000.

(vi) All prepayments under this subsection (b) shall be made together with accrued interest to the date of such prepayment on the principal amount prepaid.

SECTION 2.07. Interest. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time plus (B) the Applicable Margin, payable in arrears (1) quarterly on the last day of each December, March, June and September during such periods, (2) on the date such Base Rate Advance shall be Converted and (3) on the Termination Date.

(ii) Eurodollar Rate Advances. During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurodollar Rate for such Interest Period for such Advance plus (B) the Applicable Margin, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid, in the case of interest, on the Type of Advance on which such interest has accrued pursuant to clause (a)(i) or (a)(ii) above, and, in all other cases, on Base Rate Advances pursuant to clause (a)(i) above.

SECTION 2.08. Fees. (a) Commitment Fee. The Borrower shall pay to the Agent for the account of the Lenders a commitment fee on the average daily unused portion of each Appropriate Lender's Term Commitment and on the average daily Unused Working Capital Commitment of such Lender from the date hereof in the case of each Bank and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at the rate of 1/2 of 1%

per annum, payable in arrears on the date of the initial Borrowing hereunder, thereafter quarterly on the last Business Day of each December, March, June and September, commencing December 31, 1994, and on the Termination Date; provided, however, that any commitment fee accrued with respect to any of the Commitments of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender except to the extent that such commitment fee shall otherwise have been due and payable by the Borrower prior to such time; and provided further that no commitment fee shall accrue on any of the Commitments of a Defaulting Lender so long as such Lender shall be a Defaulting Lender.

(b) Letter of Credit Fees, Etc. (i) The Borrower shall pay to the Agent for the account of each Working Capital Lender a commission on such Lender's Pro Rata Share of the average daily aggregate Available Amount of (A) all Standby Letters of Credit outstanding from time to time at the rate of 3.50% per annum, and (B) all Trade Letters of Credit then outstanding at the rate of 2.00% per annum, in each case payable in arrears quarterly on the last Business Day of each December, March, June and September, commencing December 31, 1994, and on the earliest to occur of the full drawing, expiration, termination or cancellation of any such Letter of Credit and on the Termination Date.

(ii) The Borrower shall pay to the Issuing Bank, for its own account, such commissions, issuance fees, fronting fees, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and the Issuing Bank shall agree.

(c) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.09. Conversion of Advances. (a) Optional. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Section 2.07 and 2.10, Convert all or any portion of the Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Advances shall result in more separate Borrowings than

permitted under Section 2.02(b). Each such notice of Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period

for such Advances. Each notice of Conversion shall be irrevocable and binding on the Borrower.

(b) Mandatory. (i) On the date on which the aggregate unpaid
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principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $1,000,000, such Advances shall automatically Convert into Base Rate Advances.

(ii) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Appropriate Lenders, whereupon each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance.

(iii) Upon the occurrence and during the continuance of any Default, (x) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (y) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.10. Increased Costs, Etc. (a) If, due to either (i) the
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introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or of making, funding or maintaining Eurodollar Rate Advances or of agreeing to issue or of issuing or maintaining Letters of Credit or of agreeing to make or of making or maintaining Letter of Credit Advances, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost; provided, however,
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that a Lender claiming additional amounts under this Section 2.10(a) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Borrower by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender or the Issuing Bank determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of

capital required or expected to be maintained by such Lender or the Issuing Bank or any corporation controlling such Lender or the Issuing Bank and that the amount of such capital is increased by or based upon the existence of such Lender's Commitment to lend or the Issuing Bank's commitment to issue Letters of Credit hereunder and other commitments of such type or the issuance or maintenance of the Letters of Credit (or similar contingent obligations), then, upon demand by such Lender or the Issuing Bank (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender or the Issuing Bank, from time to time as specified by such Lender or the Issuing Bank, additional amounts sufficient to compensate such Lender or the Issuing Bank in the light of such circumstances, to the extent that such Lender or the Issuing Bank reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend or the Issuing Bank's commitment to issue Letters of Credit hereunder or to the issuance or maintenance of any Letters of Credit. A certificate as to such amounts submitted to the Borrower by such Lender or the Issuing Bank shall be conclusive

and binding for all purposes, absent manifest error.

(c) If, with respect to any Eurodollar Rate Advances, Lenders owed at least 60% of the then aggregate unpaid principal amount thereof notify the Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Appropriate Lenders, whereupon (i) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Appropriate Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower that such Lenders have determined that the circumstances causing such suspension no longer exist.

(d) Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances hereunder, then, on notice thereof and demand therefor by such Lender to the Borrower through the Agent, (i) each Eurodollar Rate Advance under each Facility under which such Lender has a Commitment will automatically, upon such demand, Convert into a Base Rate Advance and (ii) the obligation of the Appropriate Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist; provided, however, -------- -------
that, before making any such demand, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a

designation would allow such Lender or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.11. Payments and Computations. (a) The Borrower shall ------------------------
make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause like funds to be distributed (i) if such payment by the Borrower is in respect of principal, interest, commitment fees or any other Obligation then payable hereunder and under the Notes to more than one Lender and/or Issuing Bank, to such Lenders and/or Issuing Banks for the account of their respective Applicable Lending Offices ratably in accordance with the amounts of such respective Obligations then payable to such Lenders and (ii) if such payment by the Borrower is in respect of any Obligation then payable hereunder to one Lender or the Issuing Bank, to such Lender or the Issuing Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(e), from and after the effective date of such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee or Issuing Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) If the Agent receives funds for application to the Obligations under the Loan Documents under circumstances for which the Loan Documents do not specify the Advances or the Facility to which, or the manner in which, such funds are to be applied, the Agent may, but shall not be obligated to, elect to distribute such funds to each Lender ratably in accordance with such Lender's proportionate share of the principal amount of all outstanding Advances and the Available Amount of all Letters of Credit then outstanding, in repayment or prepayment of such of the outstanding Advances or other Obligations owed to such Lender, and for application to such principal installments, as the Agent shall direct.

(c) The Borrower hereby authorizes each Lender and the Issuing Bank, if and to the extent payment owed to such Lender or the Issuing Bank is not made

when due hereunder or, in the case of a Lender, under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender or the Issuing Bank any amount so due.

(d) All computations of interest, fees and Letter of Credit commissions shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for

which such interest, fees or commissions are payable. Each determination by the Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error.

(e) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, that, if such extension would cause payment of
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interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(f) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to any Lender or the Issuing Bank hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each such Lender or the Issuing Bank, as the case may be on such due date an amount equal to the amount then due such Lender or the Issuing Bank, as the case may be. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each such Lender or the Issuing Bank, as the case may be, shall repay to the Agent forthwith on demand such amount distributed to such Lender or the Issuing Bank, as the case may be, together with interest thereon, for each day from the date such amount is distributed to such Lender or the Issuing Bank, as the case may be until the date such Lender or the Issuing Bank, as the case may be, repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.12. Taxes. (a) Any and all payments by the Borrower
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hereunder or under the Notes shall be made, in accordance with Section 2.11, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender, the Issuing Bank and the
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Agent, net income taxes that are imposed by the United States and franchise taxes and net income taxes that are imposed on such Lender, the Issuing Bank or the Agent by the state or foreign jurisdiction under the laws of which such Lender, the Issuing Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender and the Issuing Bank, franchise taxes and net income taxes that are imposed on such Lender or the Issuing Bank by the state or foreign jurisdiction of such Lender's or the Issuing Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower
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shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender, the Issuing Bank or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to

additional sums payable under this Section 2.12) such Lender, the Issuing Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution,

delivery or registration of, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify each Lender, the Issuing Bank and the Agent for the full amount of Taxes and Other Taxes, and for the full amount of taxes imposed by any jurisdiction on amounts payable under this Section 2.12, paid by such Lender, the Issuing Bank or the Agent (as the case may be) and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender, the Issuing Bank or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to in Section 8.02, the original receipt of payment thereof or a certified copy of such receipt. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in
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Section 7701 of the Internal Revenue Code.

(e) Each Lender or Issuing Bank organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank or initial Issuing Bank, and on the date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender or the Issuing Bank in the case of each other Issuing Bank, and from time to time thereafter if requested in writing by the Borrower or the Agent (but only so long thereafter as such Lender or Issuing Bank remains lawfully able to do so), provide the Agent and the Borrower with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender or Issuing Bank, as the case may be, is exempt from or is entitled to a reduced rate of United

States withholding tax on payments under this Agreement or the Notes or certifying that the income receivable pursuant to this Agreement or the Notes is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Lender or Issuing Bank at the time such Lender or Issuing Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender or Issuing Bank, as the case may be, provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance
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pursuant to which a Lender or the Issuing Bank assignee becomes a party to this Agreement, the Lender assignor or Issuing Bank assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee or Issuing Bank assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender or the Issuing Bank reasonably considers to be confidential, the Lender or Issuing Bank shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender or the Issuing Bank has failed to provide the Borrower with the appropriate form described in subsection (e) (other than if such failure is due to a change in law occurring
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after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e)), such Lender or the Issuing Bank shall not be entitled to indemnification under subsection (a) or (c) with respect to Taxes imposed by the United States; provided, however, that should a

Lender or the Issuing Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender or the Issuing Bank shall reasonably request to assist such Lender or the Issuing Bank to recover such Taxes.

SECTION 2.13. Sharing of Payments, Etc. If any Lender or the Issuing Bank shall obtain at any time any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) (a) on account of Obligations due and payable to such Lender or Issuing Bank hereunder and under the Notes at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender or Issuing Bank at such time to (ii) the aggregate amount of the Obligations due and payable to all Lenders and the Issuing Bank hereunder and under the Notes at such time) of payments on account of the Obligations due and payable to all Lenders and the Issuing Bank hereunder and under the Notes at such time obtained by all the Lenders

at such time or (b) on account of Obligations owing (but not due and payable) to such Lender or Issuing Bank hereunder and under the Notes at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing to such Lender or Issuing Bank at such time to (ii) the aggregate amount of the Obligations owing (but not due and payable) to all Lenders and the Issuing Bank hereunder and under the Notes at such time) of payments on account of the Obligations owing (but not due and payable) to all Lenders and the Issuing Bank hereunder and under the Notes at such time obtained by all the Lenders and the Issuing Bank at such time, such Lender or Issuing Bank shall forthwith purchase from the other Lenders and the Issuing Bank such participations in the Obligations due and payable or owing to them, as the case may be, as shall be necessary to cause such purchasing Lender or Issuing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender or Issuing Bank, such purchase from each other Lender or Issuing Bank shall be rescinded and such other Lender or Issuing Bank shall repay to the purchasing Lender or Issuing Bank the purchase price to the extent of such Lender's or Issuing Bank's ratable share (according to the proportion of (A) the purchase price paid to such Lender or Issuing Bank to (B) the aggregate purchase price paid to all Lenders or Issuing Banks) of such recovery together with an amount equal to such Lender's or Issuing Bank's ratable share (according to the proportion of (1) the amount of such other Lender's or Issuing Bank's required repayment to (2) the total amount so recovered from the purchasing Lender or Issuing Bank) of any interest or other amount paid or payable by the purchasing Lender or Issuing Bank in respect of the total amount so recovered. The Borrower agrees that any Lender or Issuing Bank so purchasing a participation from another Lender or Issuing Bank pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender or Issuing Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.14. Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that they shall use such proceeds) solely to finance the Reorganization and the transactions contemplated thereby, pay transaction costs incurred in connection with the Reorganization and provide working capital for the Borrower and its Subsidiaries.

SECTION 2.15. Defaulting Lenders. (a) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Advance to the Borrower and (iii) the Borrower shall be required to make any payment hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower may, so long as no Default shall occur or be continuing at such time and to the fullest extent permitted by applicable law, set off and otherwise apply the Obligation of the Borrower to make such payment to or for the account of such Defaulting Lender against the Obligation of such Defaulting Lender to make such

Defaulted Advance. In the event that the Borrower shall so set off and

otherwise apply its obligation to make any such payment against the obligation of such Defaulting Lender to make any such Defaulted Advance on any date, the amount so set off and otherwise applied by the Borrower shall constitute for all purposes of this Agreement and the other Loan Documents an Advance by such Defaulting Lender made on such date under the Facility pursuant to which such Defaulted Advance was originally required to have been made pursuant to Section 2.01. Such Advance shall be a Base Rate Advance and shall be considered, for all purposes of this Agreement, to comprise part of the Borrowing in connection with which such Defaulted Advance was originally required to have been made pursuant to Section 2.01, even if the other Advances comprising such Borrowing shall be Eurodollar Advances on the date such Advance is deemed to be made pursuant to this subsection (a). The Borrower shall notify the Agent at any time the Borrower exercises its right of set-off pursuant to this subsection (a) and shall set forth in such notice (A) the name of the Defaulting Lender and the Defaulted Advance required to be made by such Defaulting Lender and (B) the amount set off and otherwise applied in respect of such Defaulted Advance pursuant to this subsection (a). Any portion of such payment otherwise required to be made by the Borrower to or for the account of such Defaulting Lender which is paid by the Borrower, after giving effect to the amount set off and otherwise applied by the Borrower pursuant to this subsection (a), shall be applied by the Agent as specified in subsection (b) or (c) of this Section 2.15.

(b) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Amount to the Agent or any of the other Lenders and (iii) the Borrower shall make any payment hereunder or under any other Loan Document to the Agent for the account of such Defaulting Lender, then the Agent may, on its behalf or on behalf of such other Lenders and to the fullest extent permitted by applicable law, apply at such time the amount so paid by the Borrower to or for the account of such Defaulting Lender to the payment of each such Defaulted Amount to the extent required to pay such Defaulted Amount. In the event that the Agent shall so apply any such amount to the payment of any such Defaulted Amount on any date, the amount so applied by the Agent shall constitute for all purposes of this Agreement and the other Loan Documents payment, to such extent, of such Defaulted Amount on such date. Any such amount so applied by the Agent shall be retained by the Agent or distributed by the Agent to such other Lenders, ratably in accordance with the respective portions of such Defaulted Amounts payable at such time to the Agent and such other Lenders and, if the amount of such payment made by the Borrower shall at such time be insufficient to pay all Defaulted Amounts owing at such time to the Agent and the other Lenders, in the following order of priority:

(i) first, to the Agent for any Defaulted Amount then owing to the Agent; and

(ii) second, to any other Lenders for any Defaulted Amounts then owing to such other Lenders, ratably in accordance with such respective Defaulted Amounts then owing to such other Lenders.

Any portion of such amount paid by the Borrower for the account of such Defaulting Lender remaining, after giving effect to the amount applied by the Agent pursuant to this subsection (b), shall be applied by the Agent as specified in subsection (c) of this Section 2.15.

(c) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall not owe a Defaulted Advance or a Defaulted Amount and (iii) the Borrower, the Agent or any other Lender shall be required to pay or distribute any amount hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower or such other Lender shall pay such amount to the Agent to be held by the Agent, to the fullest extent permitted by applicable law, in escrow or the Agent shall, to the fullest extent permitted by applicable law, hold in escrow such amount otherwise held by it. Any funds held by the Agent in escrow under this subsection (c) shall be deposited by the Agent in an account with BNP, in the name and under the control of the Agent, but subject to the provisions of this subsection (c). The terms applicable to such account, including the rate of interest payable with respect to the credit balance of such account from time to time, shall be BNP's standard terms applicable to escrow accounts maintained with it. Any interest credited to such account from time to time shall be held by the Agent in escrow under, and applied by the Agent from time to time in accordance with the provisions of, this subsection (c). The Agent shall, to the fullest extent permitted by applicable law, apply all funds so held in escrow from time to time to the extent necessary to make any Advances required to be

made by such Defaulting Lender and to pay any amount payable by such Defaulting Lender hereunder and under the other Loan Documents to the Agent or any other Lender, as and when such Advances or amounts are required to be made or paid and, if the amount so held in escrow shall at any time be insufficient to make and pay all such Advances and amounts required to be made or paid at such time, in the following order of priority:

(i) first, to the Agent for any amount then due and payable by such Defaulting Lender to the Agent hereunder;

(ii) second, to any other Lenders for any amount then due and payable by such Defaulting Lender to such other Lenders hereunder, ratably in accordance with such respective amounts then due and payable to such other Lenders; and

(iii) third, to the Borrower for any Advance then required to be made by such Defaulting Lender pursuant to a Commitment of such Defaulting Lender.

In the event that such Defaulting Lender shall, at any time, cease to be a Defaulting Lender, any funds held by the Agent in escrow at such time with respect to such Defaulting Lender shall be distributed by the Agent to such Defaulting Lender and applied by such Defaulting Lender to the Obligations owing to such Lender at such time under this Agreement and the other Loan Documents ratably in accordance with the respective amounts of such Obligations outstanding at such time.

(d) The rights and remedies against a Defaulting Lender under this Section 2.15 are in addition to other rights and remedies which the Borrower may have against such Defaulting Lender with respect to any Defaulted Advance and which the Agent or any Lender may have against such Defaulting Lender with respect to any Defaulted Amount.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Initial Borrowing or Initial Issuance. The obligation of each Lender to make an Advance on the occasion of the initial Borrowing is subject to the satisfaction of the following conditions precedent before or concurrent with the initial Borrowing:

(a) The Lenders shall have received copies of any modifications or amendments to the Plan of Reorganization and the Disclosure Statement and consented thereto in writing.

(b) The Plan of Reorganization shall have been confirmed and the order confirming the Plan of Reorganization shall be in form and substance satisfactory to the Lenders and shall be final and nonappealable.

(c) The Plan of Reorganization as confirmed shall be consummated strictly in accordance with the terms thereof, without any waiver, amendment or change of any term or provision thereof not consented in writing to by the Lenders.

(d) The Lenders shall be satisfied with the final terms and conditions of the transaction, including, without limitation, all legal and tax aspects thereof; and all documentation relating to the transaction shall be in form and substance satisfactory to the Lenders.

(e) The Lenders and the Issuing Bank shall be satisfied with the corporate and legal structure and capitalization of each Loan Party and each of its Subsidiaries,

including the terms and conditions of the charter, bylaws and each class of

capital stock of each Loan Party and each such Subsidiary and of each agreement or instrument relating to such structure or capitalization.

(f) The Borrower will be capitalized with a minimum of $6,650,000, in the aggregate, of Subordinated Debt, Preferred Stock and common equity. The amount of the Subordinated Notes, Preferred Stock and common equity, as well as all terms thereof (including, without limitation, all terms relating to subordination, repayment and voting rights) shall be satisfactory in all respects to the Lenders.

(g) Before giving effect to the Reorganization and the other transactions contemplated by this Agreement, there shall have occurred no Material Adverse Change since January 1, 1994.

(h) There shall exist no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) could have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of the Reorganization, this Agreement, any Note, any other Loan Document, any Related Document or the consummation of the transactions contemplated hereby.

(i) The Lenders and the Issuing Bank shall have completed a due diligence investigation of the Borrower and its Affiliates in scope, and with results, satisfactory to the Lenders and the Issuing Bank, and nothing shall have come to the attention of the Lenders and the Issuing Bank during the course of such due diligence investigation to lead them to believe (i) that, following the consummation of the Reorganization, the Borrower and its Affiliates would not have good and marketable title to all material assets of the Borrower and its Affiliates and (ii) that the Reorganization will have a Material Adverse Effect; without limiting the generality of the foregoing, the Lenders and the Issuing Bank shall have been given such access to the management, records, books of account, contracts and properties of the Borrower and its Affiliates as they shall have requested.

(j) The Lenders shall be satisfied with the Borrower's management and its plans to manage and operate the Borrower.

(k) The Borrower shall have paid all accrued fees and expenses of the Agent, the Lenders and the Issuing Bank (including the facility fee and the accrued fees and expenses of counsel to the Agent and any other fees and expenses required to be paid pursuant to the Commitment Letter).

(l) The Agent shall have received on or before the day of the initial Borrowing or the initial Issuance the following, each dated such day (unless otherwise specified), in form and substance satisfactory to the Agent (unless otherwise specified) and (except for the Notes) in sufficient copies for each Lender and the Issuing Bank:

(i) The Notes to the order of the Lenders.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower and each other Loan Party approving the Reorganization, this Agreement, the Notes, each other Loan Document and each Related Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Reorganization, this Agreement, the Notes, each other Loan Document and each Related Document.

(iii) A copy of the charter of the Borrower and each other Loan Party and each amendment thereto, certified (as of a date reasonably near the date of the initial Borrowing) by the Secretary of State of the jurisdiction of its incorporation as being a true and correct copy thereof or otherwise confirmed to have been filed and to be in effect in a manner satisfactory to the Agent.

(iv) A copy of a certificate of the Secretary of State of the applicable jurisdictions of incorporation, dated reasonably near the date of the initial Borrowing or initial Issuance, listing the charter of the Borrower and each other Loan Party and each amendment thereto on file in his office and certifying that (A) such amendments are the only amendments to the Borrower's or such other Loan Party's charter on file in his office, (B) the Borrower or such other Loan Party has paid all franchise taxes to the date of such certificate except as set

forth therein and (C) the Borrower or such other Loan Party is duly incorporated and in good standing under the laws of the jurisdiction of its incorporation except as set forth therein.

(v) Copies of certificates of the Secretary of State of the States of Massachusetts, California, Connecticut and Delaware, dated reasonably near the date of the initial Borrowing or initial issuance, stating that the applicable Loan Parties are duly qualified and in good standing as foreign corporations in such States and have filed all annual reports required to be filed to the date of such certificate except as set forth therein.

(vi) A certificate of the Borrower and each other Loan Party, signed on behalf of the Borrower and such other Loan Party by its Chief Executive Officer or President or a Vice President and its Secretary or any Assistant

Secretary, dated the date of the initial Borrowing or initial issuance (the statements made in which certificate shall be true on and as of the date of the initial Borrowing), certifying as to (A) the absence of any amendments to the charter of the Borrower or such other Loan Party since the date of the Secretary of State's certificate referred to in Section 3.01(l)(iv), (B) a true and correct copy of the bylaws of the Borrower and such other Loan Party as in effect on the date of the initial Borrowing or initial issuance, (C) the due incorporation and good standing of the Borrower and such other Loan Party as a corporation organized under the laws of the State of its incorporation, and the absence of any proceeding for the dissolution or liquidation of the Borrower or such other Loan Party, (D) the truth of the representations and warranties contained in the Loan Documents as though made on and as of the date of the initial Borrowing or initial issuance and (E) the absence of any event occurring and continuing, or resulting from the initial Borrowing or initial issuance, that constitutes a Default.

(vii) A certificate of the Secretary or an Assistant Secretary of the Borrower and each other Loan Party certifying the names and true signatures of the officers of the Borrower and such other Loan Party authorized to sign this Agreement, the Notes, each other Loan Document and each Related Document to which they are or are to be parties and the other documents to be delivered hereunder and thereunder.

(viii) A security agreement in substantially the form of Exhibit E (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Security Agreements"), duly
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executed by the Borrower and each other party thereto, together with:

(A) certificates representing the Pledged Shares referred to therein accompanied by undated stock powers executed in blank and instruments evidencing the Pledged Debt referred to therein endorsed in blank,

(B) copies of proper financing statements, for filing under the Uniform Commercial Code of all jurisdictions that the Agent may deem necessary or desirable in order to perfect and protect the Liens created by the Security Agreement, covering the Collateral described in the Security Agreement,

(C) completed requests for information, dated on or before the date of the initial Borrowing or initial Issuance, listing all other effective financing statements filed in the jurisdictions referred to in

clause (B) above that name the Borrower or any other Loan Party as debtor, together with copies of such other financing statements,

(D) evidence of the completion of all other recordings and filings of or with respect to the Security Agreement that the

Agent may deem necessary or desirable in order to perfect and protect the Liens created thereby,

(E) evidence of the insurance required by the terms of the Security Agreement,

(F) evidence that all other action that the Agent may deem necessary or desirable in order to perfect and protect the Liens created by the Security Agreement has been taken.

(ix) A trademark and copyright security agreement in substantially the form of Exhibit F (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Trademark and Copyright Security Agreement"), duly executed by the Borrower and each other Collateral Grantor, together with evidence that all action that the Agent may deem necessary or desirable in order to perfect and protect the Liens created under the Trademark and Copyright Security Agreement has been taken.

(x) A pledge agreement in substantially the form of Exhibit G (as amended, supplemented or otherwise modified from time to time, the "Pledge Agreement") duly executed by SC Corporation.

(xi) A guaranty in substantially the form of Exhibit H (as amended, supplemented or otherwise modified from time to time in accordance with its terms, a "Guaranty"), duly executed by each Guarantor.

(xii) Certified copies of each of the Related Documents, duly executed by the parties thereto and in form and substance satisfactory to the Lenders, together with all agreements, instruments and other documents delivered in connection therewith.

(xiii) Certified copies of employment agreements with Steven Bock and Steve O'Hara, in form and substance satisfactory to the Lenders and the Issuing Bank (the "Employment Agreements"), duly executed by the parties thereto.

(xiv) Such financial, business and other information regarding each Loan Party and its Subsidiaries as the Lenders and the Issuing Bank shall have requested, including, without limitation, information as to possible contingent liabilities, tax matters, environmental matters, obligations under ERISA and Welfare Plans, collective bargaining agreements and other arrangements with employees, annual financial statements dated December 28, 1991, January 2, 1993 and January 1, 1994 and for the fiscal years then ended, interim financial statements dated October 1, 1994 and for the 39 weeks then ended (or, in the event the Lenders' and the Issuing Bank's due diligence review reveals material changes since such financial statements, as of a later date within 45 days of the date hereof), pro forma financial statements as to the Loan Parties and forecasts prepared by management of the Loan Parties, in form and substance satisfactory to the Lenders and the Issuing Bank, of balance sheets, income statements and cash flow statements on a monthly basis for the first year following the date hereof and on a quarterly basis for each year thereafter until the Termination Date.

(xv) An environmental assessment report conducted in accordance with current ASTM standards from Environmental and Safety Designs, Inc. as to any hazards, costs or liabilities under Environmental Laws to which the Borrower may be subject, the amount and nature of which and the Borrower's plans with respect to which shall be acceptable to the Lenders and the Issuing Bank.

(xvi) A letter, in form and substance satisfactory to the Agent, from the Borrower to Deloitte & Touche, its independent certified public accountants, advising such accountants that the Agent, the Lenders and the Issuing Bank have been authorized to exercise all rights of the Borrower to require such accountants to disclose any and all financial statements and any other information of any kind that

they may have with respect to the Borrower and its Subsidiaries and directing such accountants to comply with any reasonable request of the Agent, any Lender or the Issuing Bank for such information.

(xvii) Evidence of insurance naming the Agent as insured and loss payee with such responsible and reputable insurance companies or associations, and in such amounts and covering such risks, as is satisfactory to the Lenders and the Issuing Bank.

(xviii) Certified copies of any Material Contracts of the Borrower and its Subsidiaries.

(xix) A Borrowing Base Certificate.

(xx) A favorable opinion of Kramer, Levin, Naftalis, Nessen, Kamin & Frankel, counsel for the Borrower, in substantially the form of Exhibit I hereto and as to such other matters as any Lender or the Issuing Bank through the Agent may reasonably request.

(xxi) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

SECTION 3.02. Conditions Precedent to Each Borrowing and Issuance. The obligation of each Appropriate Lender to make an Advance (other than a Letter of Credit Advance) on the occasion of each Borrowing (including the initial Borrowing), and the right of the Borrower to request the issuance of Letters of Credit, shall be subject to the further conditions precedent that on the date of such Borrowing or issuance (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing, or Notice of Issuance and the acceptance by the Borrower of the proceeds of such Borrowing or of such Letter of Credit shall constitute a representation and warranty by the Borrower that both on the date of such notice and on the date of such Borrowing or issuance such statements are true):

(i) the representations and warranties contained in each Loan Document are correct on and as of such date, before and after giving effect to such Borrowing or issuance and to the application of the proceeds therefrom, as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Borrowing or issuance or from the application of the proceeds therefrom, that constitutes a Default; and

(iii) for each Working Capital Advance or issuance of any Letter of Credit, the aggregate Loan Value of the Eligible Inventory exceeds the aggregate principal amount of the Working Capital Advances to be outstanding plus the Letter of Credit Advances outstanding plus the aggregate of the Available Amounts under each Letter of Credit to be outstanding, after giving effect to such Advance or issuance, respectively;

and (b) the Agent shall have received such other approvals, opinions or documents as any Appropriate Lender or the Issuing Bank, in each case through the Agent, may reasonably request.

SECTION 3.03. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender and the Issuing Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders and the Issuing Bank unless an officer of the Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from such Lender or the Issuing Bank prior to the initial Borrowing or issuance specifying its objection thereto and in the case of the initial Borrowing, such Lender shall not have made available to the Agent such Lender's ratable portion of such Borrowing.

ARTICLE IV

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Except as set forth on Schedule II, each Loan Party (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted. All of the outstanding capital stock of the Loan Parties has been validly issued, is fully paid and non-assessable and is owned by the Persons and in the amounts specified on Schedule II free and clear of all Liens, except those created under the Collateral Documents or as shown on Schedule II.

(b) Set forth on Schedule III hereto is a complete and accurate list of all Subsidiaries of each Loan Party, showing as of the date hereof (as to each such Subsidiary) the jurisdiction of its incorporation, the number of shares of each class of capital stock authorized, and the number outstanding, on the date hereof and the percentage of the outstanding shares of each such class owned (directly or indirectly) by such Loan Party and the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights at the date hereof. All of the outstanding capital stock of all of such Subsidiaries has been validly issued, is fully paid and non-assessable and is owned by such Loan Party or one or more of its Subsidiaries free and clear of all Liens, except those created by the Collateral Documents. Each such Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly

qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (iii) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(c) The execution, delivery and performance by each Loan Party of this Agreement, the Notes, each other Loan Document and each Related Document to which it is or is to be a party, and the consummation of the Reorganization and the other transactions contemplated hereby, are within such Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene such Loan Party's charter or by-laws, (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934 and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Collateral Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries. No Loan Party or any of its Subsidiaries is in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or in breach of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, the violation or breach of which could reasonably be expected to have a Material Adverse Effect.

(d) Except for (A) filing of the UCC-1 financing statements delivered to the Agent on the date hereof and (B) filing the Trademark and Copyright Security Agreement with the United States Copyright Office, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Agreement, the Notes, any other

Loan Document or any Related Document to which it is or is to be a party, or for the consummation of the Reorganization or the other transactions contemplated hereby, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created by the Collateral Documents (including the first priority nature thereof) or (iv) the exercise by the Agent, any Lender or the Issuing Bank of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents. All applicable waiting periods in connection with the Reorganization and

the other transactions contemplated hereby have expired without any action having been taken by any competent authority restraining, preventing or imposing materially adverse conditions upon the Reorganization or the rights of the Loan Parties or its Subsidiaries freely to transfer or otherwise dispose of, or to create any Lien on, any properties now owned or hereafter acquired by any of them. No consent is necessary under the Plan of Reorganization and the Disclosure Statement concerning the terms and the description of the Subordinated Debt and capital stock to be issued pursuant to the Plan of Reorganization other than the consents listed on Schedule X, which have been obtained and are in full force and effect.

(e) This Agreement has been, and each of the Notes, each other Loan Document and each Related Document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto. This Agreement is, and each of the Notes, each other Loan Document and each Related Document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms.

(f) The pro forma Consolidated and consolidating balance sheets of the Loan Parties and their Subsidiaries as at December 28, 1991, January 2, 1993 and January 1, 1994, and the related pro forma Consolidated and Consolidating statements of income of the Loan Parties and their Subsidiaries for the fiscal years then ended and the related pro forma Consolidated and Consolidating statements of cash flows of the Loan Parties and their Subsidiaries for the fiscal years ended January 2, 1993 and January 1, 1994, and the unaudited Consolidated and Consolidating balance sheets of the Loan Parties and its Subsidiaries as at October 1, 1994, and the related unaudited Consolidated and consolidating statements of income and cash flows of the Loan Parties and its Subsidiaries for the 39 weeks then ended, duly certified by the chief financial officer of each Loan Party, copies of which have been furnished to each Lender and the Issuing Bank, fairly present, subject, in the case of said balance sheets as at October 1, 1994, and said statements of income and cash flows for the 39 weeks then ended, to year-end audit adjustments, the Consolidated and Consolidating financial condition of the Loan Parties and its Subsidiaries as at such dates and the Consolidated and Consolidating results of the operations of the Loan Parties and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis, and since January 1, 1994, there has been no Material Adverse Change.

(g) The Consolidated and consolidating forecasted balance sheets, income statements and cash flow statements of the Borrower and its Subsidiaries delivered to the Lenders and the Issuing Bank pursuant to Section 3.01(l)(xiv) or 5.03 were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair in the light of conditions existing at the time of delivery of such

forecasts, and represented, at the time of delivery, the Borrower's best estimate of their future financial performance.

(h) No information, exhibit or report furnished by any Loan Party or the Agent, any Lender or the Issuing Bank in connection with the negotiation of the Loan Documents or pursuant to the terms of the Loan Documents contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.

(i) There is no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries, including any

Environmental Action, pending or threatened before any court, governmental agency or arbitrator that (i) could reasonably be expected to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of the Reorganization, this Agreement, any Note, any other Loan Document or any Related Document or the consummation of the transactions contemplated hereby.

(j) No proceeds of any Advance will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(k) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Advance will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

(l) Set forth on Schedule IV hereto is a complete and accurate list of all Plans, Multiemployer Plans and Welfare Plans with respect to any employees of any Loan Party or any of its Subsidiaries.

(m) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan of any Loan Party or any of its ERISA Affiliates that has resulted or could reasonably be expected to result in a material liability of any Loan Party or any of its ERISA Affiliates.

(n) Schedule B (Actuarial Information) to the most recently completed annual report (Form 5500 Series) for each Plan of any Loan Party or any of its ERISA Affiliates, copies of which have been filed with the Internal Revenue Service and furnished to the Lenders, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no material adverse change in such funding status.

(o) Neither any Loan Party nor any of its ERISA Affiliates has incurred or is reasonably expected to incur any material Withdrawal Liability to any Multiemployer Plan.

(p) Neither any Loan Party nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan of any Loan Party or any of its ERISA Affiliates that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, which reorganization or termination could reasonably be expected to result in a material liability of any Loan Party or any of its ERISA Affiliates and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA which reorganization or termination could reasonably be expected to result in a material liability of any Loan Party or any of its ERISA Affiliates.

(q) Except as set forth in the financial statements referred to in Section 5.03, the Borrower and its Subsidiaries have no material liability with respect to "expected post retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

(r) Neither the business nor the properties of any Loan Party or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that could reasonably be expected to have a Material Adverse Effect.

(s) The operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, each Loan Party and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and no circumstances exist that could (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any of their properties that could reasonably be expected to have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could reasonably be expected to have a Material Adverse Effect.

(t) None of the properties currently or formerly owned or operated by

any Loan Party or any of its Subsidiaries is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list, and to the best knowledge of each Loan Party and its Subsidiaries no underground storage tanks, as such term is defined in 42 U.S.C.(S) 6991, are located on any property currently or

formerly owned or operated by any Loan Party or any of its Subsidiaries and to the best knowledge of each Loan Party and its Subsidiaries Hazardous Materials have not been released or disposed of on any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries.

(u) Neither any Loan Party nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Materials to any location that is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list, and all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries, during the period in which it owned or operated such property, have been disposed of in a manner not reasonably expected to result in material liability to any Loan Party or any of its Subsidiaries.

(v) Neither any Loan Party nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction that could reasonably be expected to have a Material Adverse Effect.

(w) Each Loan Party and each of its Subsidiaries has filed, has caused to be filed or has been included in all tax returns (Federal, state, local and foreign) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties except as set forth on Schedule XI.

(x) Set forth on Schedule V hereto is a complete and accurate list, as of the date hereof, of each taxable year of the Loan Parties for which Federal income tax returns have been filed and for which the expiration of the applicable statute of limitations for assessment or collection has not occurred by reason of extension or otherwise (an "Open Year").

(y) The aggregate unpaid amount, as of the date hereof, of adjustments to the Federal income tax liability of the Loan Parties proposed by the Internal Revenue Service with respect to Open Years does not exceed $100,000. No issues have been raised by the Internal Revenue Service in respect of Open Years that, in the aggregate, could reasonably be expect to have a Material Adverse Effect.

(z) The aggregate unpaid amount, as of the date hereof, of adjustments to the state, local and foreign tax liability of the Loan Parties and its Subsidiaries proposed by all state, local and foreign taxing authorities (other than amounts arising from adjustments to Federal income tax returns) does not exceed $80,000. No issues

have been raised by such taxing authorities that, in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(aa) The Reorganization will not be taxable to any Loan Party or any of its Subsidiaries or Affiliates.

(bb) No "ownership change" as defined in Section 382(g) of the Internal Revenue Code, and no event that would result in the application of the "separate return limitation year" or "consolidated return change of ownership" limitations under the Federal income tax consolidated return regulations, has occurred with respect to any Loan Party. The Loan Parties and its Subsidiaries have, as of the date hereof, net operating loss carryforwards for U.S. Federal income tax purposes equal in the aggregate to at least $10,000,000.

(cc) Neither any Loan Party nor any of its Subsidiaries is an "investment company," or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are

defined in the Investment Company Act of 1940, as amended. Neither the making of any Advances, nor the issuance of any Letters of Credit, nor the application of the proceeds or repayment thereof by the Borrower, nor the consummation of the other transactions contemplated hereby, will violate any provision of such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

(dd) Each Loan Party is, individually and together with its Subsidiaries, Solvent.

(ee) Set forth on Schedule VI hereto is a complete and accurate list of all leases of real property under which any Loan Party or any of its Subsidiaries is the lessee, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee, expiration date and annual rental cost thereof. Each such lease is the legal, valid and binding obligation of the lessor thereof, enforceable in accordance with its terms.

(ff) Set forth on Schedule VII hereto is a complete and accurate list of all Material Contracts of each Loan Party and its Subsidiaries, showing as of the date hereof the parties, subject matter and term thereof. Each such Material Contract has been duly authorized, executed and delivered by all parties thereto, has not been amended or otherwise modified, is in full force and effect and is binding upon and enforceable against all parties thereto in accordance with its terms, and there exists no default under any Material Contract by any party thereto.

(gg) Set forth on Schedule VIII hereto is a complete and accurate list of all Investments held by any Loan Party or any of its Subsidiaries, showing as of the date hereof the amount, obligor or issuer and maturity, if any, thereof.

(hh) Set forth on Schedule IX hereto is a complete and accurate list of all patents, trademarks, trade names, service marks and copyrights, and all applications therefor and licenses thereof, of each Loan Party or any of its Subsidiaries, showing as of the date hereof the jurisdiction in which registered, the registration number, the date of registration and the expiration date.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding or any Lender or the Issuing Bank shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970, except where the failure to so comply would not have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, with all applicable Environmental Laws and Environmental Permits, except where the failure to so comply would not have

a Material Adverse Effect; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its

Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates.

(e) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises except as permitted pursuant to Section 5.02(d).

(f) Visitation Rights. At any reasonable time and from time to time, permit the Agent, any of the Lenders or the Issuing Bank or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(g) Preparation of Environmental Reports. At the request of the Agent, if at any time the Agent reasonably believes that a material risk exists that the Borrower or any of its Subsidiaries is not in substantial compliance with Environmental Laws, from time to time, provide to the Lenders and the Issuing Bank within 60 days after such request, at the expense of the Borrower, an environmental site assessment report, conducted in accordance with current ASTM standards, for its or such Subsidiary's property, as the case may be, prepared by an environmental consulting firm acceptable to the Agent, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such properties; without limiting the generality of the foregoing, if the Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Agent may retain an environmental consulting firm to prepare such report at the reasonable expense of the Borrower, and the Borrower hereby grants to the Agent, the Lenders, the Issuing Bank, such firm and any agents or representatives thereof an

irrevocable non-exclusive license, subject to the rights of tenants, to enter onto its properties to undertake such an assessment.

(h) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with GAAP.

(i) Maintenance of Properties, Etc. Maintain and preserve, and cause

each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(j) Compliance with Terms of Leaseholds. Make all payments and otherwise perform all obligations in respect of all leases of real property, keep such leases in full force and effect and not allow such leases to lapse or be terminated or any rights to renew such leases to be forfeited or cancelled (in each case without first obtaining a replacement on comparable terms), notify the Agent of any default by any party with respect to such leases and cooperate with the Agent in all respects to cure any such default, and cause each of its Subsidiaries to do so.

(k) Performance of Related Documents. Perform and observe all of the terms and provisions of each Related Document to be performed or observed by it, maintain each such Related Document in full force and effect, enforce such Related Document in accordance with its terms, take all such action to such end as may be from time to time requested by the Agent and, upon request of the Agent, make to each other party to each such Related Document such demands and requests for information and reports or for action as the Borrower is entitled to make under such Related Document.

(l) Performance of Material Contracts. Perform and observe all the terms and provisions of each Material Contract to be performed or observed by it, maintain each such Material Contract in full force and effect, enforce each such Material Contract in accordance with its terms, take all such action to such end as may be from time to time requested by the Agent and, upon request of the Agent, make to each other party to each such Material Contract such demands and requests for information and reports or for action as the Borrower is entitled to make under such Material Contract, and cause each of its Subsidiaries to do so.

(m) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates on terms that are fair and reasonable and no

less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(n) Covenant to Give Security. Upon the request of the Agent following the occurrence and during the continuance of a Default, and at the expense of the Borrower, (i) within 10 days after such request, furnish to the Agent a description of the real and personal properties of the Borrower and its Subsidiaries in detail satisfactory to the Agent, (ii) within 15 days after such request, duly execute and deliver to the Agent mortgages, pledges, assignments and other security agreements, as specified by and in form and substance satisfactory to the Agent, securing payment of all the Obligations of the Borrower under the Loan Documents and constituting Liens on all such properties, (iii) within 30 days after such request, take whatever action (including, without limitation, the recording of mortgages, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the security agreements delivered pursuant to this Section 5.01(n), enforceable against all third parties in accordance with their terms, (iv) within 60 days after such request, deliver to the Agent a signed copy of a favorable opinion, addressed to the Agent, of counsel for the Borrower acceptable to the Agent as to the matters contained in clauses (i), (ii) and (iii) above, as to such security agreements being legal, valid and binding obligations of the Borrower and its Subsidiaries enforceable in accordance with their terms and as to such other matters as the Agent may reasonably request and (v) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may deem desirable in obtaining the full benefits of, or in preserving the Liens of, such security agreements.

(o) Interest Rate Hedging. Enter into within 60 days following the

date hereof, interest rate Hedge Agreements with Persons and on terms acceptable to the Agent.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding or any Lender or Issuing Bank shall have any Commitment hereunder, the Borrower will not, at any time:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file, or permit any of its Subsidiaries to sign or file, under the Uniform Commercial Code of any jurisdiction,

a financing statement that names the Borrower or any of its Subsidiaries as debtor, or sign, or permit any of its Subsidiaries to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, excluding, however, from the operation of the foregoing restrictions the following:

(i) Liens created under the Loan Documents;

(ii) Permitted Liens;

(iii) purchase money Liens upon or in equipment acquired or held by the Borrower or any of its Subsidiaries in the ordinary course of business to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of any such property to be subject to such Liens, or Liens existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; provided, however, that no such Lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced; and provided further that the aggregate principal amount of the Debt secured by Liens permitted by this clause (iii) shall not exceed $50,000 at any time outstanding and that any such Debt shall not otherwise be prohibited by the terms of the Loan Documents;

(iv) Liens arising in connection with Capitalized Leases; and

(v) the replacement, extension or renewal of any Lien permitted by clauses (iii) and (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) Debt. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Debt other than:

(i) in the case of the Borrower,

(A) Debt under the Loan Documents,

(B) if the Merger occurs, Subordinated Debt evidenced by the Subordinated Notes and the Redeemable Preferred Stock of the Borrower,

(C) Debt in respect of Hedge Agreements required to be maintained under Section 5.01(o) with one or more Hedge Banks,

and

(D) Debt consisting of loans to the Borrower from Western evidenced by the Wigs Note; and

(ii) in the case of the Borrower and any of its Subsidiaries,

(A) Debt secured by Liens permitted by Section 5.02(a)(iii) not to exceed in the aggregate the amount set forth in such Section,

(B) unsecured Debt incurred in the ordinary course of business for the deferred purchase price of property or services, maturing within one year from the date created, and aggregating, on a Consolidated basis, not more than $100,000 at any one time outstanding,

(C) indorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and

(D) Capitalized Leases in an aggregate amount not to exceed $250,000 in the aggregate at any one time outstanding.

(c) Lease Obligations. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any obligations as lessee for the rental or hire of real or personal property of any kind under leases or agreements to lease including Capitalized Leases having an original term of one year or more that would cause the anticipated or actual lease payments (excluding operating and maintenance payments) of the Borrower and its Subsidiaries, on a Consolidated basis, in respect of all such leases and agreements to exceed $725,000 payable in any period of 12 consecutive months.

(d) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any of its Subsidiaries to do so, except that (i) any Subsidiary of the Borrower may merge into or consolidate with any other Subsidiary of the Borrower provided that, in the case of any such consolidation, the Person formed by such consolidation shall be a Subsidiary of the Borrower and (ii) Wigs may merge into SC Corporation; provided, however, that immediately after

giving effect thereto, no event shall occur and be continuing that constitutes a Default and SC Corporation shall, at the effective time of such merger or consolidation, (A) assume Wigs' Obligations on the Notes and Wigs' Obligations and performance of Wigs' covenants under the Loan Documents to which it is or is to be a party in a writing satisfactory in form and substance to the Required Lenders and (B) take or have taken all action required by Section 9 (relating to further assurances) of the Security Agreement, and take or have taken such other action as may be necessary or desirable, or as the Agent may request, in order to preserve the Liens, and continue the perfection thereof with the same priority, as granted and provided for or purported to be granted and provided for by the Security Agreement, and in addition to the foregoing, Wigs and SC Corporation shall take all such action in connection therewith and enter into or provide all such documentation, including opinions of counsel, as the Agent may request, in each case in form and substance satisfactory to the Agent.

(e) Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire any Collateral (other than Inventory to be sold in the ordinary course of its business), except (i) sales of Inventory in the ordinary course of its business, (ii) sales of assets for cash and for fair value in an aggregate amount not to exceed $50,000 in any year, (iii) dispositions for cash and fair value of obsolete equipment and of excess or worn out equipment (e.g., equipment that is no longer used in the conduct of the Borrower's or such Subsidiary's business).

(f) Investments in Other Persons. Make or hold, or permit any of its

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Subsidiaries to make or hold, any Investment in any Person other than:

(i) Investments not to exceed $100,000 in the aggregate by the Borrower in connection with the repurchase of its distribution and licensing rights in Canada;

(ii) Investments in the Payroll Accounts, provided such funds are used only to pay employees' salaries and bonuses in the ordinary course of business;

(iii) Investments consisting of advances to employees for travel and entertainment expenses not to exceed $25,000 in the aggregate at any time;

(iv) If the Merger occurs, an Investment consisting of a loan to Wigs, L.P. in an amount not to exceed $150,000;

(v) Investments consisting of guarantees of Debt of the Borrower and its Subsidiaries permitted under Section 5.02(b);

(vi) Investments existing on the date hereof listed on Schedule VIII;

(vii) (A) Investments by the Borrower and its Subsidiaries in Cash Equivalents in Blocked Accounts and (B) Investments in Hedge Agreements required to be maintained under Section 5.01(o);

(viii) Upon and after delivering an opinion of Kramer, Levin, Naftalis, Nessen, Kumin & Frankel, counsel to the Borrower, in substantially the form of Exhibit I and including Royal as a "Loan Party" therein Investments in Royal solely to pay expenses incurred by Royal for the benefit of the Borrower;

(ix) Investments in other Loan Parties solely to pay franchise taxes not to exceed $20,000 in the aggregate in any fiscal year; and

(x) Investments consisting of loans to SC Corporation or, if the Merger occurs, Newco(s), of the proceeds of any key man life insurance solely for the purpose of funding the exercise of the put and call provisions of the Employment Agreements.

(g) Dividends, Etc. Declare or pay any dividends, purchase, redeem,
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retire, defease or otherwise acquire for value any of its capital stock or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding, return any capital to its stockholders as such, make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to its stockholders as such or issue or sell any capital stock or any warrants, rights or options to acquire such capital stock, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of the Borrower or any warrants, rights or options to acquire such capital stock or to issue or sell any capital stock or any warrants, rights or options to acquire such capital stock, except that, so long as no Default shall have occurred and be continuing, (i) the Borrower may declare and pay dividends and distributions payable only in capital stock of the Borrower, (ii) any wholly owned Subsidiary of the Borrower may declare and pay dividends or distributions in cash to the Borrower or to another wholly owned Subsidiary of the Borrower that is a Guarantor and (iii) the Borrower and its Subsidiaries may declare and pay dividends and distributions in cash (A) to pay franchise taxes of other Loan Parties in an amount not to exceed $20,000 in the aggregate in any fiscal year and (B) to SC Corporation or, if the Merger occurs, to Newco(s), consisting of the proceeds

of any key man life insurance solely for the purpose of funding the exercise of the put and call provisions of the Employment Agreements.

(h) Change in Nature of Business. Make, or permit any of its

Subsidiaries to make, any material change in the nature of its business as

carried on at the date hereof.

(i) Charter Amendments. Amend, or permit any of its Subsidiaries to amend, its certificate of incorporation or bylaws if such amendment could adversely affect the interest or rights of the Agent, the Issuing Bank or the Lenders in any manner.

(j) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required by generally accepted accounting principles.

(k) Prepayments, Etc. of Debt. Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt, other than the prepayment of the Advances in accordance with the terms of this Agreement, any prepayment of the Wigs Note in accordance with the terms thereof and prepayment of Funded Debt incurred to finance Capital Expenditures, or amend, modify or change in any manner any term or condition of any Subordinated Debt, or permit any of its Subsidiaries to do any of the foregoing other than to prepay any Debt payable to the Borrower or to prepay any Funded Debt incurred to finance Capital Expenditures.

(l) Amendment, Etc. of Related Documents. Enter into any Tax Sharing Agreement that is not in form and substance satisfactory to the Agent, or cancel or terminate any Related Document or consent to or accept any cancellation or termination thereof, amend, modify or change in any manner any term or condition of any Related Document or give any consent, waiver or approval thereunder, waive any default under or any breach of any term or condition of any Related Document, agree in any manner to any other amendment, modification or change of any term or condition of any Related Document or take any other action in connection with any Related Document that would impair the value of the interest or rights of the Borrower thereunder or that would impair the rights or interests of the Agent, any Lender or the Issuing Bank, or permit any of its Subsidiaries to do any of the foregoing.

(m) Amendment, Etc. of Material Contracts. Cancel or terminate any Material Contract or consent to or accept any cancellation or termination thereof, amend or otherwise modify any Material Contract or give any consent, waiver or

approval thereunder, waive any default under or breach of any Material Contract, agree in any manner to any other amendment, modification or change of any term or condition of any Material Contract or take any other action in connection with any Material Contract that would impair the value of the interest or rights of the Borrower thereunder or that would impair the interest or rights of the Agent, any Lender or the Issuing Bank, or amend Section 13 of the Employment Agreements, or permit any of its Subsidiaries to do any of the foregoing.

(n) Ownership Change. Take, or permit any of its Subsidiaries to take, any action that would result in an "ownership change" (as defined in Section 382 of the Internal Revenue Code) with respect to the Borrower or any of its Subsidiaries or the application of the "separate return limitation year" or "consolidated return change of ownership" limitations under the Federal income tax consolidated return regulations with respect to the Borrower or any of its Subsidiaries.

(o) Negative Pledge. Enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist any agreement prohibiting or conditioning the creation or assumption of any Lien upon any of its property or assets other than (i) in favor of the Agent and the Lenders or (ii) pursuant to Capitalized Leases or other purchase money Debt agreements otherwise permitted under this Agreement that prohibit the creation or assumption of any Lien upon the property or assets that are the subject thereof.

(p) Partnerships. Become a general partner in any general or limited partnership, or permit any of its Subsidiaries to do so.

SECTION 5.03. Reporting Requirements. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding or any Lender or the Issuing Bank shall have any Commitment hereunder, the Borrower will furnish to the Lenders and the Issuing Bank:

(a) Default Notice. As soon as possible and in any event within two Business Days after any of the management of the Borrower becomes aware of the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto.

(b) Monthly Financials. As soon as available and in any event within 45 days after the end of October 1994 and within 30 days after the end of each subsequent month, Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such month and Consolidated and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for the

period commencing at the end of the previous month and ending with the end of such month, and commencing at the end of the previous fiscal year and ending with the end of such month, setting forth in each case in comparative form the corresponding figures for (i) the corresponding month and year-to-date period of the preceding fiscal year and (ii) the corresponding month and year-to-date period of the most recent annual forecast delivered pursuant to Section 5.03(e), all in reasonable detail and duly certified by the chief financial officer of the applicable Borrower, together with a schedule in form satisfactory to the Agent of the computations used by the Borrower in determining compliance with the covenants contained in Sections 5.02 and 5.04.

(c) Quarterly Financials. As soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, and commencing at the end of the previous fiscal quarter and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for (i) the corresponding quarter and year-to-date period of the preceding fiscal year and (ii) the corresponding quarter and year-to-date period of the most recent annual forecast delivered pursuant to Section 5.03(e), all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP, together with (i) a certificate of said officer stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (ii) a schedule in form satisfactory to the Agent of the computations used by the Borrower in determining compliance with the covenants contained in Sections 5.02 and 5.04.

(d) Annual Financials. As soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, including therein Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case accompanied by an independent auditor's report reasonably acceptable to the Required Lenders of Deloitte & Touche or other independent public accountants of recognized standing acceptable to the Required Lenders, together with (i) a certificate of such accounting firm to the Lenders stating that in the course of the regular audit of the business of the

Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, nothing has come to the attention of such accounting firm that has caused

them to believe that the Borrower and its Subsidiaries are not in compliance with the covenants contained in Section 5.04, (ii) a schedule in form satisfactory to the Agent of the computations used by such accountants in determining, as of the end of such fiscal year, compliance with the covenants contained in Sections 5.04 and (iii) a certificate of the chief financial officer of the Borrower stating that no Default has occurred and is continuing or, if a default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto.

(e) Annual Forecasts. As soon as available and in any event no later
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than 15 days before the end of each fiscal year of the Borrower, forecasts prepared by management of the Borrower, in form satisfactory to the Agent, of balance sheets, income statements and cash flow statements on a monthly basis for the fiscal year following such fiscal year then ended and on a quarterly basis for each fiscal year thereafter until the Termination Date.

(f) ERISA Events. Promptly and in any event within 10 days after any
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Loan Party or any of its ERISA Affiliates knows or has reason to know that any ERISA Event with respect to any Loan Party or any of its ERISA Affiliates has occurred, a statement of the chief financial officer of the applicable Borrower describing such ERISA Event and the action, if any, that such Loan Party or such ERISA Affiliate has taken and proposes to take with respect thereto.

(g) Plan Terminations. Promptly and in any event within two Business
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Days after receipt thereof by any Loan Party or any of its ERISA Affiliates, copies of each notice from the PBCG stating its intention to terminate any Plan of any Loan Party or any of its ERISA Affiliates or to have a trustee appointed to administer any such Plan.

(h) Plan Annual Reports. Promptly and in any event within 30 days
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after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan of each Loan Party or any of its ERISA Affiliates.

(i) Multiemployer Plan Notices. Promptly and in any event within five
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Business Days after receipt thereof by any Loan Party or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan of any Loan Party or any of its ERISA Affiliates, copies of each notice concerning (i) the imposition of Withdrawal Liability by any such Multiemployer Plan, (ii) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (iii) the amount of liability incurred, or that may be incurred, by such Loan Party or any of its ERISA Affiliates in connection with any event described in clause (i) or (ii), if such

imposition, reorganization, termination or amount could reasonably be expected to result in a material liability of any Loan Party or any of its ERISA Affiliates.

(j) Litigation. Promptly after the commencement thereof, notice of
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all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party or any of its Subsidiaries.

(k) Securities Reports. Promptly after the sending or filing thereof,
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copies of all proxy statements, financial statements and reports that any Loan Party or any of its Subsidiaries sends to its stockholders, and copies

of all regular, periodic and special reports, and all registration statements, that any Loan Party or any of its Subsidiaries files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or with any national securities exchange.

(l) Agreement Notices. Promptly upon receipt thereof, copies of all notices, requests and other documents received by any Loan Party or any of its Subsidiaries under or pursuant to any Related Document or Material Contract and, from time to time upon request by the Agent, such information and reports regarding the Related Documents and the Material Contracts as the Agent may reasonably request.

(m) Revenue Agent Reports. Within 10 days after receipt, copies of all Revenue Agent Reports (Internal Revenue Service Form 886), or other written proposals of the Internal Revenue Service, that propose, determine or otherwise set forth positive adjustments to the Federal income tax liability of the affiliated group (within the meaning of Section 1504(a)(1) of the Internal Revenue Code) of which the Borrower is a member.

(n) Tax Certificates. Promptly, and in any event within five Business Days after the due date (with extensions) for filing the final Federal income tax return in respect of each taxable year, a certificate (a "Tax Certificate"), signed by the President or the chief financial officer of the Borrower, stating that the common parent of the affiliated group (within the meaning of Section 1504(a)(1) of the Internal Revenue Code) of which the Borrower is a member has paid to the Internal Revenue Service or other taxing authority, or to the Borrower, the full amount that is shown on the return that the affiliated group is required to file in respect of Federal income tax for such year and that the Borrower and its Subsidiaries have received any amounts payable to them, and have not paid amounts in respect of taxes (Federal, state, local or foreign) in excess of the amount they are required to pay, under the Tax Sharing Agreements in respect of such taxable year.

(o) Environmental Conditions. Promptly after the occurrence thereof, notice of any condition or occurrence on any property of any Loan Party or any of its Subsidiaries that results in a material noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit or could (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or such property that could reasonably be expected to have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could reasonably be expected to have a Material Adverse Effect.

(p) Insurance. As soon as available and in any event within 30 days after the end of each Fiscal Year, a report summarizing the insurance coverage (specifying type, amount and carrier) in effect for each Loan Party and its Subsidiaries and containing such additional information as any Lender or the Issuing Bank may reasonably specify. The first such report shall include evidence satisfactory to Agent that the provisions of Section 5.01(d) are satisfied.

(q) Borrowing Base Certificate. As soon as available and in any event within 10 days after the end of each month, a Borrowing Base Certificate, as at the end of the previous month (or the previous week, if furnished more often than monthly), certified by the chief financial officer of the Borrower; provided, however, that the Agent may, in its sole discretion, require the Borrower to furnish a Borrowing Base Certificate to the Lenders at any time upon notice to the Borrower.

(r) Inventory Report. As soon as available and in any event within 30 days after the end of each month, a report prepared by the chief financial officer of the Borrower, in form and substance satisfactory to the Agent (and, if the Agent so requests, in a form capable of being processed by the

Agent's computers), setting forth all Inventory of the Borrower and its Subsidiaries by general category; provided, however, that if the first of such reports made available to the Agent in accordance with this Section 5.03(r) is not in form and substance satisfactory to the Agent, the Borrower shall use its best efforts to conform such report to the Agent's requirements within 60 days of the date of the initial Borrowing.

(s) Other Information. Such other information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries as any Lender or the Issuing Bank may from time to time reasonably request.

SECTION 5.04. Financial Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding or any Lender or the Issuing Bank shall have any Commitment hereunder, the Borrower will:

(a) Minimum Net Worth. Maintain on a Consolidated basis for the Borrower and its Subsidiaries a Net Worth at all times during each period set forth below of not less than the amount set forth below for such period:

Period From	Through	Amount
The date hereof	February 1995	$2,700,000
March 1995	May 1995	2,800,000
June 1995	August 1995	3,100,000
September 1995	November 1995	3,700,000
December 1995	May 1996	4,050,000
June 1996	August 1996	4,350,000
September 1996	November 1996	5,100,000
December 1996	May 1997	5,500,000
June 1997	August 1997	5,900,000
September 1997	November 1997	6,700,000
December 1997	May 1998	7,200,000
June 1998	August 1998	7,700,000
September 1998	November 1998	8,650,000
December 1998	May 1999	9,350,000

(b) Leverage Ratio. Maintain on a Consolidated basis for the Borrower and its Subsidiaries a Leverage Ratio at all times during each Rolling Period set forth below of not more than the amount set forth below for such Rolling Period:

Rolling Periods Ending From	Through	Ratio
The date hereof	August 1995	3.60
September 1995	November 1995	3.15
December 1995	February 1996	2.50
March 1996	May 1996	2.40
June 1996	August 1996	2.25
September 1996	November 1996	2.10
December 1996	February 1997	1.85
March 1997	May 1997	1.70
June 1997	August 1997	1.55
September 1997	November 1997	1.40
December 1997	February 1998	1.15
March 1998	May 1999	1.00

(c) Interest Coverage Ratio. Maintain on a Consolidated basis for the Borrower and its Subsidiaries an Interest Coverage Ratio for each Rolling Period set forth below of not less than the amount set forth below for such Rolling Period:

Rolling Periods Ending From	Through	Ratio
The date hereof	August 1995	2.55
September 1995	November 1995	2.80
December 1995	February 1996	3.25
March 1996	May 1996	3.35
June 1996	August 1996	3.45
September 1996	November 1996	3.70
December 1996	February 1997	3.95
March 1997	May 1997	4.20
June 1997	May 1999	4.50

(d) Fixed Charge Coverage Ratio. Maintain on a Consolidated basis for the Borrower and its Subsidiaries a Fixed Charge Coverage Ratio for each Rolling Period set forth below of not less than the amount set forth below for such Rolling Period:

Rolling Periods Ending From	Through	Ratio
The date hereof	August 1995	0.90
September 1995	November 1995	1.00
December 1995	August 1996	1.05
September 1996	August 1998	1.10
September 1998	May 1999	1.14

(e) Capital Expenditures. Not make, or permit any of its Subsidiaries to make, any Capital Expenditures (other than one-time expenses of the Borrower relating to the move of its principal facility not to exceed $250,000 in the aggregate) that would cause the aggregate of all Capital Expenditures made by the Borrower and its Subsidiaries on a Consolidated basis in any fiscal year to exceed $400,000; provided that Capital Expenditures in an additional amount not greater than $400,000 less the aggregate amount of Capital Expenditures (other than such one-time moving expenses) made by the Borrower and its Subsidiaries on a Consolidated basis in any fiscal year following the date hereof shall be permitted to be made by the Borrower and its Subsidiaries on a Consolidated basis in the next following fiscal year, but shall not be carried over into any subsequent fiscal year.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of, or interest on, any Advance, or shall fail to pay any fee under Section 2.08, in each case when the same becomes due and payable or any Loan Party shall fail to make any other payment under any Loan Document within 3 Business Days of when the same becomes due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(b), 5.01(g), 5.01(n), 5.01(o), 5.02, 5.03 or 5.04; or

(d) any Loan Party shall fail to perform any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the Borrower by the Agent, any Lender or the Issuing Bank; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Debt that is outstanding in a principal or notional amount of at least $50,000 in the aggregate (but excluding Debt outstanding hereunder) of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt or otherwise to cause, or to permit the holder thereof to cause, such Debt to mature; or (except for Capitalized Leases or other purchase money Debt required to be prepaid if the assets covered thereby are sold) any such Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not by it) that is being contested diligently and in good faith by it, either such proceeding shall remain undismissed or unstayed for a period of 30 days or any of the relief sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for it or any substantial part of its property) shall occur; or any Loan Party or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any one or more judgments or orders for the payment of money that, either individually or in the aggregate, exceed $100,000 shall be rendered against any Loan Party or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order and shall not have been stayed or (ii) there shall be any period of 10 consecutive Business Days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and there shall be any period of 10 consecutive Business Days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect and shall not have been vacated or discharged; or

(i) any provision of any Loan Document after delivery thereof pursuant to Section 3.01 shall for any reason cease to be valid and binding on or enforceable against any Loan Party to it, or any such Loan Party shall so state in writing; or

(j) any Collateral Document after delivery thereof pursuant to Section 3.01 shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority lien and security interest

on any Collateral purported to be covered thereby having an aggregate book value in excess of $50,000 (subject to the Liens permitted under this Agreement); or

(k) Steven Bock and Steve O'Hara shall at any time for any reason cease to be active in the management of the Borrower and shall not have been replaced by another person or persons reasonably acceptable to the Required Lenders; or

(l) Following consummation of the Signal Securities Purchase Agreement (as defined in the Plan of Reorganization) on the date hereof, the Equity Investors shall at any time cease to own, directly or indirectly, (i) capital stock representing an aggregate of 70% or more of each class of capital stock of the Borrower and (ii) Subordinated Notes representing an aggregate of 70% or more of the aggregate principal amount of all Subordinated Notes of SC Corporation; or (iii) any Person or two or more Persons acting in concert other than the Equity Investors shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition, prior to the repayment in full of all Obligations and the termination of all Commitments hereunder, of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; or

(m) any ERISA Event shall have occurred with respect to a Plan of any Loan Party or any of its ERISA Affiliates and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans of the Loan Parties and their ERISA Affiliates with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Loan Parties and their ERISA Affiliates related to such ERISA Event) exceeds $100,000; or

(n) any Loan Party or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan of any Loan Party or any of its ERISA Affiliates that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Loan Parties and their ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $100,000 or requires payments exceeding $50,000 per annum; or

(o) any Loan Party or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan of any Loan Party or any of its ERISA Affiliates that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Loan Parties and their ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding $100,000;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Appropriate Lender to make Advances (other than Letter of Credit Advances) and of the Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, (A) by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower and (B) by notice to each party required under the terms of any agreement in support of which a Standby Letter of Credit is issued, request that all Obligations under such agreement be declared to be due and payable;

provided, however, that in the event of an actual or deemed entry of an order
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for relief with respect to any Loan Party or any of its Subsidiaries under the

Federal Bankruptcy Code, (x) the obligation of each Lender to make Advances (other than Letter of Credit Advances and of the Issuing Bank to issue Letters of Credit shall automatically be terminated and (y) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 6.02. Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Agent on behalf of the Lenders and the Issuing Bank in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Agent and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Agent determines to be free and clear of any such right and claim.

ARTICLE VII

THE AGENT

SECTION 7.01. Authorization and Action. Each Lender and the Issuing Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders, the Issuing Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender and the Issuing Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the payee of any Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (b) may consult with legal counsel (including counsel for any Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender or the Issuing Bank and shall not be responsible to any Lender or the Issuing Bank for any statements, warranties or representations (whether written or oral) made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of any Loan Party or to inspect the property (including the books and records) of any Loan Party; (e) shall not be responsible to any Lender or the Issuing Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; (f) shall incur no liability

under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, telecopy or telex) believed by it to be genuine and signed or sent by the proper party or parties; and (g) shall incur no liability as a result of any determination

whether the transactions contemplated by the Loan Documents constitute a "highly leveraged transaction" within the meaning of the interpretations issued by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System.

SECTION 7.03. BNP and Affiliates. With respect to its Commitments, the Advances made by it and the Notes issued to it, BNP shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include BNP in its individual capacity. BNP and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, any Loan Party, any of its Subsidiaries and any Person who may do business with or own securities of any Loan Party or any such Subsidiary, all as if BNP were not the Agent and without any duty to account therefor to the Lenders or the Issuing Bank.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender or the Issuing Bank and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent, any other Lender or the Issuing Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. (a) Each Lender severally agrees to indemnify the Agent (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Agent under the Loan Documents; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that the Agent is not promptly reimbursed for such costs and expenses by the Borrower. For purposes of this Section 7.05, the Lenders' respective ratable shares of any amount shall be determined, at any time, according to the sum of (a) the aggregate principal amount of the Advances outstanding at such time and owing to the respective Lenders, (b) their respective Pro Rata Shares of the aggregate

Available Amount of all Letters of Credit outstanding at such time, (c) the aggregate unused portions of their respective Term Commitments and Letter of Credit Commitments at such time plus (d) their respective Unused Working Capital Commitments at such time. In the event that any Defaulted Advance shall be owing by any Defaulting Lender at any time, such Lender's Commitment with respect to the Facility under which such Defaulted Advance was required to have been made shall be considered to be unused for purposes of this Section 7.05(a) to the extent of the amount of such Defaulted Advance. The failure of any Lender to reimburse the Agent promptly upon demand for its ratable share of any amount required to be paid by the Lenders to the Agent as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse the Agent for its ratable share of such amount, but no Lender shall be responsible for the

failure of any other Lender to reimburse the Agent for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 7.05(a) shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

(b) Each Lender severally agrees to indemnify Issuing Bank (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Issuing Bank in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Issuing Bank under the Loan Documents; provided, however, that no Lender shall be liable
for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Issuing Bank promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that the Issuing Bank is not promptly reimbursed for such costs and expenses by the Borrower. For purposes of this Section 7.05(b), the Lenders' respective ratable shares of any amount shall be determined, at any time, according to the sum of (a) the aggregate principal amount of the Advances outstanding at such time and owing to the respective Lenders, (b) their respective Pro Rata Shares of the aggregate Available Amount of all Letters of Credit outstanding at such time, (c) the aggregate unused portions of their respective Term Commitments and Letter of Credit Commitments at such time plus
(d) their respective Unused Working Capital Commitments at such time. In the event that any Defaulted Advance shall be owing by any Defaulting Lender at any time, such Lender's Commitment with respect to the Facility under which such Defaulted Advance was required to have been made shall be considered to be unused for purposes of this Section 7.05(b) to the extent of the amount of such Defaulted Advance. The failure of any Lender to reimburse the Issuing Bank promptly upon demand for its ratable share of any amount required to be paid by the Lenders to the Issuing Bank as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse the Issuing Bank for its ratable share of such

amount, but no Lender shall be responsible for the failure of any other Lender to reimburse the Issuing Bank for such other Lender's ratable share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 7.05(b) shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

SECTION 7.06. Successor Agents. The Agent may resign as to any or all of the Facilities at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent as to such of the Facilities as to which the Agent has resigned. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States or of any State thereof and having a combined capital and surplus of at least $250,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent as to all of the Facilities and upon the execution and filing or recording of such financing statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Required Lenders may request, in order to continue the perfection of the Liens granted or purported to be granted by the Collateral Documents, such successor Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. Upon the acceptance of any appointment as Agent hereunder by a successor Agent as to less than all of the Facilities and upon the execution and filing or recording of such financing statements, or amendments thereto, and such amendments or supplements to the Mortgages, and such other instruments or notices, as may be necessary or desirable, or as the Required Lenders may request, in order to continue the

perfection of the Liens granted or purported to be granted by the Collateral Documents, such successor Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent as to such Facilities, other than with respect to funds transfers and other similar aspects of the administration of Borrowings under such Facilities, issuances of Letters of Credit (notwithstanding any resignation as Agent with respect to the Letter of Credit Facility) and payments by the Borrower in respect of such Facilities, and the retiring Agent shall be discharged from its duties and obligations under this Agreement as to such Facilities, other than as aforesaid. After any retiring Agent's resignation hereunder as Agent as to all of the Facilities, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent as to any Facilities under this Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (a) no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than any Lender that is, at such time, a Defaulting Lender), do any of the following at any time: (i) waive any of the conditions specified in Section 3.01 or, in the case of the initial Borrowing or initial issuance, 3.02, (ii) change the percentage of (x) the Commitments, (y) the aggregate unpaid principal amount of the Advances or (z) the aggregate Available Amount of outstanding Letters of Credit or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (iii) reduce or limit the obligations of any Guarantor under Section 1 of its the Guaranty or otherwise limit such Guarantor's liability with respect to the Obligations owing to the Agent, the Lenders and the Issuing Bank, (iv) release all or substantially all of the Collateral; (v) amend this Section 8.01 and (b) no amendment, waiver or consent shall, unless in writing and signed by the Required Lenders and each Lender that has a Commitment under the Facility affected by such amendment, waiver or consent, (i) increase the Commitments of such Lender or subject such Lender to any additional obligations, (ii) reduce the principal of, or interest on, the Notes held by such Lender or any fees or other amounts payable hereunder to such Lender, (iii) postpone any date fixed for any payment of principal of, or interest on, the Notes held by such Lender or any fees or other amounts payable hereunder to such Lender or (iv) change the order of application of any prepayment set forth in Section 2.06 in any manner that materially affects such Lender; provided further that no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank, as the case may be, in addition to the Lenders required above to take such action, affect the rights or obligations of the Issuing Bank under this Agreement; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered, if to the Borrower, at its address at 21 Bristol Drive, South Easton, MA 02375, Attention: Steven Bock and Steve O'Hara; if to any Bank or the Issuing Bank that is listed on the signature pages hereto, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender or any other Issuing Bank, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender or Issuing Bank; and if to the Agent, at its address at 499 Park Avenue, New York, New York 10022, Attention: Mr.

Alan Mustacchi, Assistant Vice President; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender, the Issuing Bank or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on demand (i) all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, (A) all due diligence, collateral review, syndication, transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto, with respect to advising the Agent as to its rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Loan Documents, with respect to negotiations with any Loan Party or with other creditors of any Loan Party or any of its Subsidiaries arising out of any Default or any events or circumstances that may give rise to a Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto) and (ii) all costs and expenses of the Agent, the Lenders and the Issuing Bank in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise (including, without limitation, the reasonable fees and expenses of counsel for the Agent, each Lender and the Issuing Bank with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless the Agent, each Lender, the Issuing Bank and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Reorganization or any of the transactions contemplated thereby or (ii) the actual or alleged presence of Hazardous Materials on any property of any Loan Party or any of its Subsidiaries or any Environmental Action relating in

any way to any Loan Party or any of its Subsidiaries, in each case whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, shareholders or creditors or an Indemnified Party or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Borrower also agrees not to assert any claim against the Agent, any Lender, the Issuing Bank or any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to any of the transactions contemplated herein or in any other Loan Document or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or conversion pursuant to Section 2.09(b)(i) or 2.10(d), acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, the

Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Agent or any Lender, in its sole discretion.

(e) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of the Borrower contained in Sections 2.10 and 2.12 and this Section 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under any of the other Loan Documents.

SECTION 8.05. Right of Setoff. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender, the Issuing Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and otherwise apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at

any time owing by such Lender or the Issuing Bank or such Affiliate to or for the credit or the account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing under this Agreement and the Note or Notes held by such Lender, irrespective of whether such Lender or the Issuing Bank shall have made any demand under this Agreement or such Note or Notes and although such obligations may be unmatured. Each Lender and the Issuing Bank agrees promptly to notify the Borrower after any such setoff and application; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and the Issuing Bank and its respective Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender or the Issuing Bank and its respective Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Bank and the initial Issuing Bank that such Bank and the Issuing Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent, each Lender and Issuing Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign their rights hereunder or any interest herein without the prior written consent of the Lenders and the Issuing Bank. The provisions of Section 8.04 of this Agreement shall supersede the indemnities and the costs and expenses provisions set forth in the Commitment Letter, and the Agent hereby acknowledges that upon the effectiveness of this Agreement the indemnities and the costs and expenses provisions set forth in the Commitment Letter shall cease to be in effect.

SECTION 8.07. Assignments and Participations. (a) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment or Commitments, the Advances owing to it and the Note or Notes held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of one or more Facilities, (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than

$2,500,000, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of $2,000.

(b) The Issuing Bank may assign to an Eligible Assignee all of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; provided, however, that the parties to each such
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assignment shall execute and deliver to the

Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of $2,000.

(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender and/or Issuing Bank hereunder and (y) the Lender and/or Issuing Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's and/or Issuing Bank's rights and obligations under this Agreement, such Lender or Issuing Bank shall cease to be a party hereto).

(d) By executing and delivering an Assignment and Acceptance, the Lender and/or Issuing Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender and/or Issuing Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; (ii) such assigning Lender and/or Issuing Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Loan Party or the performance or observance by the Borrower of any of its obligations under this Agreement or by any other Loan Party under any Loan Document or any other instrument or document furnished pursuant hereto or thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender and/or Issuing Bank or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement or any other Loan Document as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender and/or Issuing Bank.

(e) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Issuing Bank and the Commitment under each Facility of, and principal amount of the Advances owing under each Facility to, each Lender and/or Issuing Bank from time to time (the "Register"). The entries in the Register shall be
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conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender and/or the Issuing Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the

Borrower, any Lender or the Issuing Bank at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and/or Issuing Bank and an assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. In the case of any assignment by a Lender, within five Business Days after its receipt of such notice, the Borrower, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it under a Facility pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder under such Facility, a new Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit C hereto.

(g) Each Lender may sell participations in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Advances owing to it and the Note or Notes held by it); provided, however, that (i) such Lender's obligations under
this Agreement (including, without limitation, its Commitments) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, and (iv) the Borrower, the Agent, the other Lenders and the Issuing Bank shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(h) Any Lender and/or Issuing Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender or Issuing Bank by or on

behalf of the Borrower; provided, however, that, prior to any such disclosure,
the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information received by it from such Lender or Issuing Bank.

(i) Notwithstanding any other provision set forth in this Agreement, any Lender or Issuing Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(j) The Borrower and each Lender agree that, at the request of the Agent, the Borrower or such Lender will reexecute this Agreement to reflect the assignments that have been effected in accordance with Section 8.07.

SECTION 8.08. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.09. No Liability of the Issuing Bank. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither the Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement

thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Borrower shall have a claim against the Issuing Bank, and the Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential, damages suffered by the Borrower that the Borrower prove were caused by (i) the Issuing Bank's willful misconduct or gross negligence in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) the Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing,the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 8.10. Confidentiality. Neither the Agent, any Lender nor the Issuing Bank shall disclose any Confidential Information to any Person without the consent of the Borrower, other than (a) to the Agent's, such Lender's or the Issuing Bank's Affiliates and their officers, directors, employees, agents and advisors and to actual or prospective Eligible Assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 8.11. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Loan Documents in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.12. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.13. Waiver of Jury Trial. Each of the Borrower, the Agent, the Lenders and the Issuing Bank irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Advances or the actions of the Agent, any Lender or the Issuing Bank in the negotiation, administration, performance or enforcement thereof.

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.

WIGS BY PAULA, INC.

By /s/

Title:

BANQUE NATIONALE DE
PARIS, NEW YORK BRANCH,
as Agent

By /s/

Title:

By /s/

Title:

BANKS

BANQUE NATIONALE DE
PARIS, NEW YORK BRANCH
as Issuing Bank and as Bank

By /s/

Title:

By /s/

Title:

SCHEDULE I

COMMITMENTS AND APPLICABLE LENDING OFFICES

<TABLE>
<CAPTION>

NAME OF BANK	TERM COMMITMENT	WORKING CAPITAL COMMITMENT	LETTER OF CREDIT COMMITMENT	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE
<S>	<C>	<C>	<C>	<C>	<C>
Banque Nationale de Paris, New York Branch	$14,000,000	$2,000,000	$2,000,000	Credit Matters 499 Park Avenue New York, NY 10022 Tel: (212) 418-8231 Fax: (212) 418-8269 Attn: Alan Mustacchi Operations 499 Park Avenue New York, NY 10022 Tel: (212) 415-9807 Fax: (212) 418-9805 Attn: Julia Posada	Credit Matters 499 Park Avenue New York, NY 10022 Tel: (212) 418-8231 Fax: (212) 418-8269 Attn: Alan Mustacchi Operations 499 Park Avenue New York, NY 10022 Tel: (212) 415-9807 Fax: (212) 418-9805 Attn: Julia Posada

Payments	Payments
499 Park Avenue New York, NY 10022 ABA No.: 026007689 Account No.: 75042070103	499 Park Avenue New York, NY 10022 ABA No.: 026007689 Account No.: 75042070103

</TABLE>

SCHEDULE II

GOOD STANDING DISCLOSURE

SC Corp./Wigs by Paula, Inc. and Western Schools may not be in good standing with their respective states due to pre-petition obligations which will be settled as part of plan process.

<TABLE>
<CAPTION>

CAPITAL STOCK

Owner	Issuer	Class of Stock	Par Value	Stock Certificate No(s).	Number of Shares	Percentage of Issued and Outstanding Shares of Issuer
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. SC Corporation	Western Schools Holdings, Inc.	Common	$.01	2	100	100%
2. Western Schools Holdings, Inc.	Western Schools	Common	No par Value	7	300	100%
3. SC Corporation	Western Schools	Common	No par Value	8	300	100%
4. SC Corporation	Wigs By Paula, Inc.	Common	No par Value	2	100	100%
5. Wigs by Paula, Inc.	Eva Gabor International, Inc.	Common	$.01	17	5,461	100%
6. SC Corporation	SC Corporation	Common	$.01	C-16	868,365	100%
7. SC Corporation	SC Corporation	Preferred	$100	P-9	22,491	100%

</TABLE>

SCHEDULE III

SUBSIDIARIES

SC Corporation-Parent Company

Subsidiaries of SC Corp.

Wigs by Paula, Inc.
Western Schools, Inc.
After the Stork, Inc.
Brotman Acquisition Corp.

Royal Advertising & Marketing is a subsidiary of Wigs by Paula, Inc.

SCHEDULE IV

PLANS, MULTIEMPLOYER PLANS, WELFARE PLANS

WIGS BY PAULA, INC./SC CORP.

1. SC Corporation & Affiliates Retirement Savings Plan (401k).

2. Wigs by Paula, Inc. and SC Corp. section 125 plans. These plans are an insurance premium conversions plan for medical and dental insurance premiums.

3. Employee medical insurance plans with Pilgrim Health HMO and Pilgrim Health Advantage.

4. Employee dental insurance plan with Delta Dental of Massachusetts.

5. Employee life insurance plan with UNUM insurance.

6. Employee short term and long term disability insurance plans with UNUM insurance.

7. Executive disability insurance with UNUM insurance.

8. Executive life insurance with Transamerica Occidental.

9. Employee bonus plan. As an amendment to this plan, SC Corporation will be creating a key manager non-qualified plan for the purposes of retaining key personnel sometime in the last quarter of 1994. Key employees at both the Wigs by Paula, Inc. and Western Schools locations will be included in this plan.

WESTERN SCHOOLS

1. Various health, dental, life, and short and long term disability insurance policies are provided, as follows:

   a. The Principal Financial Group, Group Policy No. N70259
   b. The Principal Financial Group, Dental Plan
   c. The Principal Financial Group, Prescription Plan

2. In additional various additional benefits are available to Management.

   a. Unum Disability Insurance
   b. Unum Life Insurance

3. Additional benefits to top executives:

   a. Company paid individual disability policy in addition to group health plan.

4. All employees are eligible after twelve months of continuous employment to participate in the company 401k plan at the next sign up opportunity.

5. Employee bonus plan. As an amendment to this plan, SC Corporation will be creating a key management non-qualified plan for the purposes of retaining key personnel sometime in the last quarter of 1994. Key employees at both the Wigs by Paula, Inc. and Western Schools locations will be included in this plan.

SCHEDULE V

OPEN YEARS

NONE.

SCHEDULE VI

REAL PROPERTY LEASES

WIGS BY PAULA, INC.

Wigs by Paula has two real property leases in effect. They are:

1. The entire building (40,000 sq. ft.) and surrounding premises at:

   21 Bristol Drive
   South Easton

Bristol County
Massachusetts

This lessor is Sanpy Realty. The annual lease expense is $480,000. The lease expires 120 days subsequent to notice either by the lessee or the lessor. Both parties have agreed not to give such notice until at least 60 days following the Execution Date of our Reorganization.

2. A portion of the building (7,500 sq. ft.) at:

61 Norfolk Avenue
South Easton
Bristol County
Massachusetts

The lessor is Kroy Limited Partnership. The annual lease expense is $31,875. This is a one year lease with an early cancellation clause requiring 60 day notice by either the lessee or the lessor.

WESTERN SCHOOLS

Office Lease:	7840 El Cajon Boulevard Suite 500 La Mesa, CA 91941
Lessor:	Robert G. Westby Trust
Term:	60 months (11/1/91-10/31/96)
Monthly Rent:	$5,062 11/94-10/95; 4% increase on the anniversary date each year of the lease.
Premises:	Entire first and fifth floors.

SCHEDULE VII

MATERIAL CONTRACTS

NONE.

SCHEDULE VIII

INVESTMENTS

1. Wigs by Paula, In. owns 5,461 shares of stock in Eva Gabor International. The stock would represent less than 5% of all Eva Gabor International stock and is believed to have minimal value.

2. SC Corp./Wigs by Paula maintains a cash management program with Fleet Bank which allows all available funds to be invested rather than sit idle.

3. Wigs and Western also have an account in Signal Capital's name at the Bank of Boston as a second reserve account which earns nominal interest and will be returned at closing.

SCHEDULE IX

INTELLECTUAL PROPERTY

TRADEMARKS

WIGS BY PAULA, INC.

Wigs by Paula, Inc. currently owns trademarks for:

U.S. Trademarks	Number

1. Paul Young	1341870
2. Celebrity Secrets	1,853,184

Canadian Trademarks	Number
1. Wigs by Paula/Paula Young	392042

Hallstone Products, Ltd. is a recorded user on the Canadian trademark.

Additionally, we are in the process of obtaining trademarks for:

1. Especially Yours
2. A Touch of Class
3. Christine Jordan

Especially Yours and A Touch of Class are in the trademark search process and we expect to own those in the near future.

The Christine Jordan (CJ) trademark process will take longer to acquire, as it is a regular name.

Wigs by Paula regularly registers copyrights for its' periodic catalog advertising with the Copyright Office.

WESTERN SCHOOLS

TRADEMARK	NUMBER
1. Western School (TM)	1699003
2. Western School (SM)	1643051
3. "W" and Design (TM)	1678470
4. "W" and Design (SM)	1652660
5. California - Western Schools (TM)	037549
6. California - Western School (SM)	036679
7. California - "W" and Design (TM)	093041
8. California - "W" and Design (SM)	037550
9. Instant CPE Service (SM)	
10. Nurses' Bookshelf (TM)	
11. Coursefinder (TM)	
12. Renewal Express (SM)	

. Western Schools regularly registers copyrights for its periodic advertising catalogs with the Copyright Office.

. Western Schools regularly registers copyrights for its publications in the fields of nursing, real estate, and CPA's with the Copyright Office. Western Schools currently has 80 titles copyrighted.

. Western Schools is currently licensee under agreements to reprint four books copyrighted by their authors, for which royalties are paid.

. Western Schools is licensor under an agreement which allows Real Estate License Services of San Diego, CA reprint certain Western Schools real estate books, for which a royalty is paid.

. Western Schools is licensor under an agreement which allows University of Missouri, Columbia MO to reprint certain Western Schools nursing books, for which a royalty is paid.

SCHEDULE XI

TAX RETURN FILINGS

All tax returns (Federal, state, local and foreign) have been filed in a timely and accurate manner up to and including 1993.

All of the items listed below are pre-petition and are expected to be settled in the reorganization process.

There are no post-petition liabilities due and unpaid.

The detailed listing, by company, of outstanding pre-petition liabilities owned as of the last filing date (12/31/93) is shown below:

SC Corporation:

1992 State of Connecticut Corporation Tax (estimated)	$1,659.00
1992 State of Delaware Franchise Tax (estimated)	$5,200.00
Total	$6,859.00

Wigs by Paula, Inc.

1992 State of Massachusetts Excise Tax (estimated)	$39,000.00
1990-1992 Massachusetts Sales Tax Audit (estimated)	$11,310.00
Total	$50,310.00

Note: There is a $20,000 dispute on the $50,310 above with Massachusetts, who has filed a claim for $70,000. This is being resolved via an objection to claim process.

Western Schools, Inc.

1987-1988 State of California Franchise Tax	$1,130.00
Total	$1,130.00
Total all companies	$58,299.00

EXHIBIT A-1

TERM NOTE

$_____ Dated:_____ __, 199_

FOR VALUE RECEIVED, the undersigned, WIGS BY PAULA, INC., a Massachusetts corporation ("the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office (as defined in the Credit Agreement referred to below) the principal amount of the Term Advances (as defined below) owing to the Lender by the Borrower pursuant to the Credit Agreement dated as of November 23, 1994 (the "Credit Agreement"; terms defined therein are used herein as therein defined) among the Borrower, the Lender and certain other lenders parties thereto, and Banque Nationale de Paris, New York Branch, as Agent for the Lender and such other lenders.

The Borrower promises to pay interest on the unpaid principal amount of the Term Advance from the date of such Term Advance until such principal amount

is paid in full, at such interest rate, and payable at such times, as are specified in the Credit Agreement. The Borrower promises to repay installments of the principal amount of this Note in the amounts and at the times specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Banque Nationale de Paris, New York Branch, as Agent, at 499 Park Avenue, New York, New York, in same day funds.

This Term Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of a single term advance by the Lender to the Borrower in an amount not to exceed the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from such Term Advance being evidenced by this Term Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. The obligations of the Borrower under this Term Note, and the

obligations of the other Loan Parties under the Loan Documents, are secured by the Collateral as provided in the Loan Documents.

WIGS BY PAULA, INC.

By_____
Title:

EXHIBIT A-2

WORKING CAPITAL NOTE

$_____ Dated: _____ __, 199_

FOR VALUE RECEIVED, the undersigned, WIGS BY PAULA, INC., a Massachusetts corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office (as defined in the Credit Agreement referred to below) the aggregate principal amount of the Working Capital Advances (as defined below) owing to the Lender by the Borrower pursuant to the Credit Agreement dated as of November 23, 1994 (the "Credit Agreement"; terms defined therein are used herein as therein defined) among the Borrower, the Lender and certain other lenders parties thereto, and Banque Nationale de Paris, New York Branch, as Agent for the Lender and such other lenders.

The Borrower promises to pay interest on the unpaid principal amount of each Working Capital Advance from the date of such Working Capital Advance until such principal amount is paid in full, at such interest rate, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Banque Nationale de Paris, New York Branch, as Agent, as Agent, at 499 Park Avenue, New York, New York, in same day funds. Each Working Capital Advance owing to the Lender by the Borrower and the maturity thereof, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto, which is part of this Promissory Note.

This Working Capital Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of working capital advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Working Capital Advance being evidenced by this Working Capital Note, and (ii) contains provisions for

acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. The obligations of the Borrower under this Working

Capital Note, and the obligations of the other Loan Parties under the Loan Documents, are secured by the Collateral as provided in the Loan Documents.

WIGS BY PAULA, INC.

By_____
Title:

WORKING CAPITAL ADVANCES
AND PAYMENT OF PRINCIPAL

<TABLE>
<CAPTION>

Date	Amounts of Advance	Amounts of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By
<S>	<C>	<C>	<C>	<C>

</TABLE>

EXHIBIT B

NOTICE OF BORROWING

Banque Nationale de Paris,
New York Branch, as Agent
under the Credit Agreement
referred to below
499 Park Avenue
New York, New York 10022 [Date]

Attention: Julia Requena

Ladies and Gentlemen:

The undersigned, WIGS BY PAULA, INC. (the "Borrower"), refers to the --------
Credit Agreement dated as of November 23, 1994 (the "Credit Agreement", the ----------------

terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, the Issuing Bank and Banque Nationale de Paris, New York Branch, as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____ __, 199_.

(ii) The Facility under which the Proposed Borrowing is requested is the _____ Facility.

(iii) The Type of Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].

(iv) The aggregate amount of the Proposed Borrowing is $_____.

[(v) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is _____ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(C) the sum of the Loan Values of the Eligible Inventory exceeds the aggregate principal amount of the Working Capital Advances to be outstanding plus Letter of Credit Advances outstanding plus the aggregate of the Available Amounts under each Letter of Credit to be outstanding, after giving effect to the Proposed Borrowing.

Very truly yours,

WIGS BY PAULA, INC.

By_____
Title:

EXHIBIT C

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of November 23, 1994 (the "Credit Agreement") among Wigs by Paula, Inc., a Massachusetts corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Banque Nationale de Paris, New York Branch, as agent for the Lenders and the Issuing Bank (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof equal to the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement Facility or Facilities specified on Schedule 1. After giving effect to such sale and assignment, the Assignee's Commitments and the amount of the Advances owing to the Assignee will be as set forth on Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under the Loan Documents or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note or Notes held by the Assignor and requests that the Agent exchange such Note or Notes for a new Note or Notes payable to the order of the Assignee in an amount equal to the Commitments assumed by the Assignee pursuant hereto or new Notes payable to the order of the Assignee in an amount equal to the Commitments assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitments retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other

Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.12.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall
---
be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken

together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

SCHEDULE 1
to
ASSIGNMENT AND ACCEPTANCE

As to each Facility in respect of which an interest is being assigned:

Percentage interest assigned: _____%

Assignee's Commitment: $_____

Aggregate outstanding principal amount of Advances assigned: $_____

Principal amount of Note payable to Assignee: $_____

Principal amount of Note payable to Assignor: $_____

Effective Date (if other than date of acceptance by Agent):
_____ __, 1999_.

[NAME OF ASSIGNOR], as Assignor

By: _____
Title:

Dated: _____ __, 199_

[NAME OF ASSIGNEE], as Assignee

By: _____
Title:

Domestic Lending Office:

Eurodollar Lending Office:

Accepted this _____ day
of _____ __, 199_

BANQUE NATIONAL DE PARIS,
as Agent

By:_____
Title:

By: _____
Title:

EXHIBIT D

BORROWING BASE CERTIFICATE

To: Banque Nationale de Paris,
New York Branch
499 Park Avenue
New York, New York 10022
Attn: Mr. Alan Mustacchi
Telecopy: (212) 418-8269

BORROWING BASE CERTIFICATE

Date: November __, 1994

(1) Borrowing Base Availability
Total from Schedule 1 _____

(2) Working Capital Advances Outstanding _____

(3) Aggregate Principal Amount of
Letter of Credit Advances Outstanding _____

(4) Total Available Amount of all
Letters of Credit Outstanding _____

(5) Total Working Capital Availability
[(1) less (2) less (3) less (4)] _____

This report is submitted pursuant to the Credit Agreement dated as of November 23, 1994 among Wigs by Paula, Inc., the lenders (the "Lenders") that are, or may from time to time become, party thereto and Banque Nationale de Paris, New York Branch, as agent (the "Agent") for the Lenders thereunder. The Agent has been granted a security interest in the Inventory pursuant to the Loan Documents. Unless otherwise indicated, capitalized terms used herein have the meanings ascribed to them in the Credit Agreement.

The undersigned hereby certifies that (i) the amounts and the representations set forth above are true and correct in all material respects, (ii) the calculations determined herein are determined in accordance with GAAP and (iii) except as noted, none of the Inventory referred to in this report falls within the ineligible or prohibited categories as noted in the Credit Agreement. We further confirm the above mentioned assignment and grant of security interest in the Inventory to the Agent.

WIGS BY PAULA, INC.

Date:_____ By: _____
Name:
Title:

SCHEDULE 1

Inventory Net Availability

(a) Gross Inventory ==========

Less: Ineligible Inventory

(b)	Inventory consisting of "perishable agricultural commodities" or on which a Lien has arisen or may arise in favor of agricultural producers	_____
(c)	Inventory located on leaseholds as to which the lessor has not entered into a consent and agreement providing for the rights of the Agent	_____
(d)	Inventory in respect of which the Security Agreement does not create a valid and perfected first priority Lien in favor of the Agent, the Issuing Bank, the Lenders and the Hedge Banks securing the Secured Obligations	_____
(e)	Inventory with respect to which the representations and warranties set forth in the Security Agreement are not true and correct	_____
(f)	Inventory consisting of promotional and marketing materials and shipping and other supplies	_____
(g)	Inventory that fails to meet any standards imposed by any governmental agency	

	or regulatory authority that is not saleable in the ordinary course of business	_____
(h)	Inventory subject to a licensing, patent, royalty, trademark or other such agreement with any third party as to which a dispute exists	_____
(i)	Inventory not in the possession or sole control of the Borrower or any Subsidiary	_____
(j)	Inventory located outside the United States	_____
(k)	Inventory consisting of work in progress	_____
(l)	Inventory that is obsolete, unusable or otherwise unavailable for sale in the ordinary course of business of the Borrower	_____
(m)	Total ineligible Inventory [sum of (b) through (l)]	_____
(n)	Eligible Inventory [(a) less (m)]	----------
Net Availability at 50% of Adjusted Eligible Inventory	[(n) multiplied by 50%]	==========

EXHIBIT I

[INSERT LETTERHEAD FOR -- KRAMER, LEVIN, NAFTALIS, NESSEN, KAMIN & FRANKEL]

NOVEMBER 23, 1994

To the Lenders party to the Credit
Agreement referred to below and to
Banque Nationale de Paris, New York
Branch, as Agent for such Lenders

WIGS BY PAULA, INC.

Gentlemen/women:

This opinion is furnished to you pursuant to Section 3.01(1)(xx) of the Credit Agreement dated as of November 23, 1994 (the "Credit Agreement") among Wigs by Paula, Inc., (the "Borrower") and each of you. Terms used and not defined herein are used herein as defined in the Credit Agreement.

We have acted as counsel to the Borrower in connection with the preparation, execution and delivery of, and the initial Borrowing made under, the Credit Agreement and the Security Agreement, and the Wigs Note. We have also acted as counsel for Western Schools, Inc., a California corporation ("Western"), in connection with the preparation, execution and delivery of the Guaranty and the Security Agreement. Finally, we have acted as counsel for SC Corporation, a Delaware corporation ("SC"), in connection with the preparation, execution and delivery of the Pledge Agreement and the Guaranty.

In that connection, we have examined counterparts of each of the Loan Documents, executed by each of the parties thereto, and the other documents furnished by the Borrower pursuant to Article III of the Credit Agreement, including:

(a) counterparts of each of the Loan Documents and the Related Documents, executed by each of the parties thereto; and

(b) the certificate of incorporation and bylaws of each Loan Party, in each case as amended through the date hereof.

We have also examined the originals, or copies certified to our satisfaction, of the documents listed in a certificate of the chief executive officer of each of the Borrower, Western and SC (each a "Loan Party"), dated the date hereof (the "Certificates"), certifying that the documents previously furnished to us are all of the indentures, loan or credit agreements, leases, guarantees, mortgages, security agreements, bonds, notes and other agreements or instruments, and all of the orders, writs, judgments, injunctions, decrees, determinations and awards, that affect or purport to affect the obligations of such Loan Party or any of its Subsidiaries under any Loan Document or any Related Document or the right of such Loan Party or any of its Subsidiaries to borrow money, to guarantee the obligations of other Persons, to create Liens on its property or to consummate transactions contemplated by the Loan Documents and the Related Documents.

In addition, we have examined the originals, or copies certified to our satisfaction, of such other corporate records of the Loan Parties, certificates of public officials and of officers of the Loan Parties and agreements, instruments and other documents as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Loan Parties or of their respective officers or of public officials.

In our examination of the documents referred to above, we have assumed (i) the due execution and delivery, pursuant to due authorization, of each of the documents referred to above by all parties thereto other than the Loan

Parties, (ii) the authenticity of all such documents submitted to us as originals and (iii) the conformity to originals of all such documents submitted to us as copies.

We understand that you have considered the applicability to the transactions contemplated by the Loan Documents of fraudulent conveyance or transfer laws, as to which we express no opinion, and have satisfied yourself with respect thereto.

We are qualified to practice law in the State of New York and we do not purport to be experts on any laws other than the laws of the State of New York, the General Corporation Law of the State of Delaware, and the Federal laws of the United States.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion:

1. Each Loan Party (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation (except to the extent described in the good standing certificates delivered to Agent), (b) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed (except to the extent described in the good standing certificates delivered to Agent and except for failures to be so qualified that do not materially and adversely affect the Loan Parties considered as a whole) and (c) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

2. The execution, delivery and performance by each Loan Party of the Credit Agreement, the Notes, and each of other Loan Document and each Related Document to which it is a part are within such Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not (a) contravene such Loan Party's charter or bylaws, (b) violate any law (including, without limitation, the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or any order, writ, judgment, injunction, decree, determination or award listed in the Certificates, (c) conflict with or result in the breach of, or constitute a default under, any agreement or instrument referred to in the Certificates or (d) except for the Liens created by the Collateral Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries.

3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body, or any third party that is party to any of the agreements and instruments listed in the Certificates, is required for (a) the due execution, delivery, recordation, filing or performance by any Loan Party of the Credit Agreement, the Notes, any other Loan Document or any Related Document to which it is party, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or, maintenance of the Liens created by the Collateral Documents, or (d) the exercise by the Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except for (i) those described in Section 4.01(d) of the Credit Agreement, and (ii) in the case of the Security Collateral, as may be required in connection with any disposition of any portion of the Security Collateral by laws affecting the offering and sale of securities generally.

4. Each of the Credit Agreement, each of the Notes, each other Loan Document and each Related Document has been duly executed and delivered by each Loan Party thereto. Each of the Credit Agreement, each of the Notes, each other Loan Document and each Related Document is the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms.

5. To the best of our knowledge, there is no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries pending or threatened before any court, governmental agency

or arbitrator that (a) could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries (other than the Disclosed Litigation) or (b) purports to affect the legality, validity or enforceability of the Merger, the Credit Agreement, any Note, any other Loan Document or any Related Document or the consummation of the transactions contemplated by the Credit Agreement.

6. All taxes and governmental fees and charges, the payment of which is required in connection with the execution, delivery and recording of the Loan Documents in the State of New York, have been paid.

7. The provisions of the Loan Documents (without regard for any provisions thereof limiting the payment of interest or any other sums thereunder to the highest rate permitted by applicable law) do not violate any applicable law of the State of New York relating to usury.

8. Neither any Loan Party nor any of its Subsidiaries is an "investment company," or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

The opinions set forth above are subject to the following qualifications:

(a) Our opinion in clauses (a) and (c) paragraph 1 above with respect to Western and SC is based solely on certifications provided by public officials in California and Massachusetts, respectively, and our examination of the charter documents of such Loan Parties as so certified,

(b) Our opinion in paragraph 4 above is subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law). Further, pursuant to such equitable principles, Section 1 of the Guaranty and Section 1 of the Security Agreement, which Sections

provide that the Guarantor's liability shall not be affected by changes in or amendments to the Credit Agreement or the Notes, might be enforceable only to the extent that such changes or amendments were not so material as to constitute a new contract among the parties.

(c) Our opinion in paragraph 4 above is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(d) Our opinion in paragraph 4 above is also subject to the effect of applicable law that may limit the enforceability or render ineffective certain of the provisions of the Security Agreement, although the inclusion of such provisions does not affect the validity of the Security Agreement as a whole, and there exist legally adequate remedies for a realization of the principal benefits afforded thereby.

(e) We express no opinion as to the effect of the law of any jurisdiction other than the State of New York wherein any Lender may be located or wherein enforcement of the Credit Agreement may be sought that limits the rates of interest legally chargeable or collectible.

We are aware that Shearman & Sterling will rely upon the opinions set forth in paragraphs 1, 2 and 3 of this opinion in rendering their opinion furnished pursuant to Section 3.01 of the Credit Agreement.

Very truly yours,

EXHIBIT 10.05
Execution Copy

FIRST AMENDMENT, WAIVER AND CONSENT

FIRST AMENDMENT, WAIVER AND CONSENT, dated as of August 16, 1995 (this "Amendment"), among SC Corporation, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Banque Nationale de Paris, New York Branch, as agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Agent have entered into a Credit Agreement dated as of November 23, 1994 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the meanings specified in the Credit Agreement.

(2) As of November 30, 1994, Wigs by Paula, Inc. merged with and into the Borrower, a wholly owned subsidiary of Specialty Catalog Corp. ("Specialty") and Western Schools, Inc. changed its name to SC Publishing, Inc.

(3) The Borrower has requested that the Required Lenders consent to the following actions:

(a) Specialty desires to reclassify its common stock into three separate classes (as indicated on Schedule I hereto), which classes will be owned in the amounts and by the persons set forth on Schedule II hereto. Specialty intends to make changes to the Shareholders Agreement and the Employment Agreements to reflect such reclassification of its common stock;

(b) Specialty desires to amend its charter to (1) clarify that dividends on its preferred stock accrue from November 23, 1994 and (2) eliminate the mandatory redemption feature relating to its preferred stock;

(c) the Borrower desires to amend its charter to (i) effect a 1-for-8700 reverse stock split of its common stock, (ii) clarify that dividends on its preferred stock accrue from November 23, 1994, (iii) eliminate the mandatory redemption feature relating to its preferred stock and (iv) eliminate any voting rights for such preferred stock;

(d) the Borrower desires to open two unblocked accounts with BNP-Canada and Bank of Montreal, with the combined balances in these accounts not to exceed $200,000; and

(e) the Borrower desires to amend its financial reporting obligations.

(4) The Required Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower and the Borrower and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 4, hereby amended as follows:

(a) Section 4.01(a) is amended by adding at the end of Section 4.01(a) a new sentence, to read as follows:

"Schedule II may be amended by the Borrower from time to time to reflect transfers of shares of Specialty stock so long as such transfers would not otherwise give rise to a Default or an Event of Default and so long as the Agent is given notice of such transfer."

(b) Schedule II is amended to read as set forth on Schedule II hereof.

(c) Section 5.02(f)(ii) is deleted and a new Section 5.02(f)(ii) is added, to read as follows:

"(ii)(A) Investments in the Payroll Accounts, provided that such funds are used only to pay employees' salaries and bonuses in the ordinary course of business, (B) Investments not to exceed $200,000 in the aggregate in (x) an account with BNP-Canada (Acct. No. 19-30088-110-29) (the "Refund Account") which shall be used to issue refund checks in Canadian dollars and (y) an account with Bank of Montreal (Acct. No. _____) (the "Mastercard Account") to process the Borrower's Mastercard receipts;"

(d) Section 5.03(b) is deleted and a new Section 5.03(b) is added, to read as follows:

"(b) Monthly Financials. As soon as available and in any event

within 30 days after the end of each subsequent month and within 45 days after the end of each fiscal year, Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such monthly period and Consolidated and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous month and ending with the end of such month, and commencing at the end of the previous fiscal year and ending with the end of such month, setting forth in each case in

comparative form the corresponding figures for (i) the corresponding month and year-to-date period of the preceding fiscal year and (ii) the corresponding month and year-to-date period of the most recent annual forecast delivered pursuant to Section 5.03(e), all in reasonable detail and duly certified by the chief financial officer of the applicable Borrower, together with a schedule in form satisfactory to the Agent of the computations used by the Borrower in determining compliance with the covenants contained in Sections 5.02 and 5.04."

(e) Section 5.03(d) is deleted and a new Section 5.03(d) is added, to read as follows:

"(d) Annual Financials. As soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, including therein a Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, accompanied by an independent auditor's report provided by Deloitte & Touche or other independent public accountants of recognized standing acceptable to the Required Lenders, and a consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case certified by the company's Chief Financial Officer, together with (i) a certificate of Deloitte & Touche or such other accounting firm to the Lenders, stating that in the course of the regular audit of the business of the Borrower and its Subsidiaries, which audit was conducted in accordance with generally accepted auditing standards, nothing has come to the attention of such accounting firm that has caused it to believe that the Borrower and its Subsidiaries are not in compliance with the covenants contained in Section 5.04, (ii) a schedule in form satisfactory to the Agent of the computations used by such accountants in determining, as of the end of such fiscal year, compliance with the covenants contained in Sections 5.04 and (iii) a certificate of the chief financial officer of the Borrower stating that no Default has

occurred and is continuing or, if a default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto."

(f) Section 6.01(l) is amended by adding a proviso at the end thereof, to read as follows:

" ,provided, that for purposes of Section 6.01(l)(i), Class A, Class B and Class C shares shall constitute one class of common stock."

SECTION 2. The Security Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 4, amended by amending Section 5(c) in full to read as follows:

"The Borrower and Western shall maintain deposit accounts (the "Blocked Accounts"), other than (i) the accounts used by the Borrower and its Subsidiaries (including Western) solely to pay the salaries and bonuses of their employees in the ordinary course of business (such other accounts being the "Payroll Accounts"); (ii) the accounts in which the Borrower and Western maintain a zero balance as at the close of each Business Day (the "Zero Balance Accounts"); and (iii) the Refund Account and the Mastercard Account only with banks ("Blocked Banks") that (x) have entered into letter agreements in substantially the form of Exhibit C with the Borrower or Western, as the case may be, and the Agent ("Blocked Account Letters") or (y) that are located in the state of California; provided that if Western shall cease to maintain its chief executive office in the State of California, the Borrower and Western shall not maintain any Blocked Account with any bank located in the State of California."

SECTION 3. Waiver and Consent. Solely for purposes of effectuating the transactions described in the Preliminary Statements, the Required Lenders hereby consent to the following actions and waive any provisions of the Credit Agreement that may be applicable to the extent such actions, by themselves, would otherwise create or result in the existence of a Default or an Event of Default thereunder:

(a) Specialty may amend its charter to read as set forth in Exhibit A and take all actions reasonably contemplated by such amendment;

(b) the Borrower may amend its charter to read as set forth in Exhibit B and take all actions reasonably contemplated by such amendment; and

(c) the Borrower may enter into a letter agreement with SC Holdings LLC in the form of Exhibit C and take all actions reasonably contemplated by such letter agreement.

SECTION 4. Conditions of Effectiveness. Sections 1, 2 and 3 of this Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment and the consent attached hereto executed by the Guarantors and each other Loan Party and the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Agent

and in sufficient copies for each Lender, in form and substance satisfactory to the Required Lenders and in sufficient copies for each Lender:

(a) Certified copies of (i) the resolutions of the Board of Directors of (A) the Borrower approving this Amendment and the matters contemplated hereby and thereby and (B) the Guarantor and each other Loan Party evidencing approval of the Consent and the matters contemplated hereby and thereby and (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment, and the Consent and the matters contemplated hereby and thereby.

(b) A certificate of the Secretary or an Assistant Secretary of the Borrower, the Guarantors and each other Loan Party certifying the names and true signatures of the officers of the Borrower, and the Guarantors and such other Loan Party authorized to sign this Amendment and the Consent and the other documents to be delivered hereunder and thereunder.

(c) Counterparts of the Consent appended hereto (the "Consent"), executed by the Guarantors and each of the Loan Parties (other than the Borrower).

(d) A certificate signed by a duly authorized officer of the Borrower and each other Loan Party stating that:

(i) The representations and warranties contained in Section 5 are correct on and as of the date of such certificate as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a date other than the date of such certificate; and

(ii) No event has occurred and is continuing that constitutes a Default.

The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 5. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction indicated in the recital of parties to this Amendment.

(b) The execution, delivery and performance by the Borrower of this Amendment and the Loan Documents, as amended hereby, to which it is or is to be a

party, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not (i) contravene the Borrower's charter or by-laws, (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934, as amended, and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule or regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), or any order, writ, judgment, injunction, decree, determination or award, binding on or affecting the Borrower or any of its Subsidiaries or any of their properties, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Borrower, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Collateral Documents, as amended hereby, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Borrower or any of its Subsidiaries.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Borrower of this Amendment or any of the Loan Documents, as amended hereby, to which it is or is to be a party, other than the filing of charter amendments.

(d) This Amendment has been duly executed and delivered by the Borrower. This Amendment and each of the other Loan Documents, as amended hereby, to which the Borrower is a party are legal, valid and binding

obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

(e) There is no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries (including, without limitation, any Environmental Action) pending or threatened before any court, governmental agency or arbitrator that (i) could have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Amendment or any of the other Loan Documents, as amended hereby, or the consummation of any of the transactions contemplated hereby.

SECTION 6. Reference to and Effect on the Loan Documents. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement, Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 7. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 8.04 of the Credit Agreement. In addition, the Borrower shall pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, and agrees to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

SECTION 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 9. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

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

SC CORPORATION

By

Title:

BANQUE NATIONAL DE PARIS, NEW YORK BRANCH
as Agent and as Lender

By

Title:

By

Title:

CONSENT

Dated as of _____, 19__

The undersigned, Royal Advertising and Marketing, Inc., a Massachusetts corporation and SC Publishing, Inc. (formerly known as Western Schools, Inc.), a California corporation, as Guarantors under the Guaranty and as the Parties to the Security Agreement, in each case, dated November 23, 1994 (the "Guaranty" and the "Security Agreement") in favor of the Agent and, for its benefit and the benefit of the Lenders parties to the Credit Agreement referred to in the foregoing Amendment, hereby consent to such Amendment and hereby confirm and agree that (a) notwithstanding the effectiveness of such Amendment, the Guaranty and the Security Agreement are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Guaranty and the Security Agreement to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment, and (b) the Collateral Documents to which such Guarantor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

Royal Advertising & Marketing, Inc.

By

Title:

SC Publishing, Inc.

By

Title:

CONSENT

Dated as of _____, 19__

The undersigned, Specialty Catalog Corp., a Delaware corporation and SC Holdings L.L.C., a limited liability company organized under the laws of the State of Delaware, as Pledgor under the Pledge Agreement dated November 30, 1994 (the "Pledge Agreement") in favor of the Agent and, for its benefit and the benefit of the Lenders parties to the Credit Agreement referred to in the foregoing Amendment, hereby consent to such Amendment and hereby confirm and agree that (a) notwithstanding the effectiveness of such Amendment, the Pledge Agreement is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Pledge Agreement to the

"Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment, and (b) the Collateral Documents to which such Pledgor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

Specialty Catalog Corp.

By

Title:

SC Holdings L.L.C.

By

Title:

CONSENT

Dated as of _____, 19__

The undersigned, Specialty Catalog Corp., a Delaware corporation and SC Holdings L.L.C., a limited liability company organized under the laws of the State of Delaware, as Guarantor under the Guaranty dated November 30, 1994 (the "Guaranty") in favor of the Agent and, for its benefit and the benefit of the Lenders parties to the Credit Agreement referred to in the foregoing Amendment, hereby consent to such Amendment and hereby confirm and agree that (a) notwithstanding the effectiveness of such Amendment, the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment, and (b) the Collateral Documents to which such Guarantor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

Specialty Catalog Corp.

By

Title:

SC Holdings L.L.C.

By

Title:

EXHIBIT 10.06

SECOND AMENDMENT, WAIVER AND CONSENT

SECOND AMENDMENT, WAIVER AND CONSENT, dated as of August 14, 1996 (this "Amendment"), among SC Corporation, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Banque Nationale de Paris, as agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Agent have entered into a Credit Agreement dated as of November 23, 1994, as amended by the First Amendment, Waiver and Consent thereto, dated as of August 16, 1995 (as so amended, the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the meanings specified in the Credit Agreement.

(2) Wigs by Paula, Inc. has merged with and into SC Corporation, a Delaware corporation ("SC"), with SC the surviving corporation, doing business as SC Direct, Inc. (the "Borrower"), and a wholly owned subsidiary of Specialty Catalog Corp. ("Specialty").

(3) The Borrower has requested that the Lenders consent to certain amendments to the Credit Agreement on the terms and conditions herein provided.

(4) The Lenders are, on such terms and conditions, willing to grant the request of the Borrower and the Borrower and the Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 3, hereby amended as follows:

(a) The definition of "Clean-Down Period" in Section 1.01 is deleted in its entirety.

(b) The definition of "Borrowing Base Deficiency" in Section 1.01 is hereby amended by deleting the phrase "of the respective Corresponding Percentages of each".

(c) The definition of "EBITDA" in Section 1.01 is hereby amended by adding immediately following the phrase "noncash charges relating to employee options" the phrase "and relating to warrants issued by Specialty to the Franklin

Group".

(d) The following parenthetical is added at the end of subparagraphs (h) and (i) of the definition of "Eligible Inventory" in Section 1.01: "(other than Inventory that would otherwise be Eligible Inventory (i) that is in transit being shipped through a common carrier, (ii) to which title has passed to the Borrower free and clear of all Liens and (iii) to which the Agent is named as loss payee under an insurance policy covering risk of loss or damage of the Inventory).".

(e) Section 1.01 is amended by adding the following definitions after the definition of "Fixed Charge Coverage Ratio":

"'Franklin Group' means the Persons referred to in Section 4(f) hereof.

'Franklin Proceeds' means the aggregate amount of $500,000 received by the Borrower from the issuance and sale of $495,000 of Subordinated Notes to the Franklin Group and $5,000 received by Specialty from the issuance to Franklin Group of warrants to purchase common stock of Specialty, in each case in the amounts set forth on Schedule I hereto.".

(f) Section 1.01 is amended by adding the following definition after the definition of "Investment":

" 'IPO' means the initial public offering by Specialty of shares of its common stock."

(g) The definition of "Leverage Ratio" is amended by adding at the end thereof the following:

"provided, however, that for any Rolling Period commencing on or after July 1, 1996 and ending prior to July 1, 1997, the amount determined in accordance with clause (b) of this definition shall be computed on an Annualized Basis".

(h) The definition of "Rolling Period" in Section 1.01 is amended in

its entirety to read as follows:

"'Rolling Period' means (a) with respect to any month ending prior to December 1, 1995, the period commencing on December 1, 1994 and ending on the last day of such month and (b) with respect to any month beginning on or after December 1, 1995 and ending prior to July 1, 1996,

the consecutive 12-month period ending on the last day of such month, (c) with respect to any month ending prior to July 1, 1997, the period commencing on July 1, 1996 and ending on the last day of such month and (d) with respect to any month thereafter, the consecutive 12-month period ending on the last day of such month.".

(i) Section 1.03 is amended by inserting after the word "consistent" the following phrase: "except for the American Institute of Certified Public Accountants' Statement of Position 93-7 which shall be construed as in effect on January 1, 1995."

(j) Clause (B) of Section 2.06(b)(iii) is hereby amended to read "the lesser of the Working Capital Facility and the sum of the Loan Value of Eligible Inventory plus 50% of the Available Amount of Trade Letters of Credit issued for the purpose of purchasing Inventory that would otherwise be Eligible Inventory on such Business Day.".

(k) Section 2.06(b)(ii)(B) is amended by adding at the end of but within the parenthetical "and not including the Franklin Proceeds".

(l) Section 2.06(b)(ii)(C) is amended to add:

(i) to the first sentence thereof, after the words "the sale or issuance by any Loan Party or any of its Subsidiaries of any capital stock," the parenthetical "(excluding the contribution by Specialty to SC Corporation of Franklin Proceeds and limited in the case of the IPO to the amount of $5,000,000 or, if completed after September 30, 1996, $4,450,000)".

(ii) at the end of the second sentence thereof, "provided, however, that any such prepayment with Net Cash Proceeds from the IPO shall be applied first to repay in full the amounts required by Section 2.04(a) on September 30, 1996 and December 31, 1996 which, at the time of the IPO, are not repaid in full and the balance shall be applied to the Term Facility pro rata to the remaining installments thereof".

(m) Section 2.06(b)(v) is deleted in its entirety and replaced with the words "Intentionally omitted."

(n) Sections 5.04(a),(b), (c) and (d) are amended as set forth below for the periods indicated:

(a) The definition of "Net Worth" in Section 1.01 is amended by deleting "$3,050,000" and substituting therefor "$3,550,000" and by adding after

the words "employee options," the following: "and relating to warrants issued by Specialty to the Franklin Group, in each case".

(b) Leverage Ratio:

Rolling Period Ending From	Ratio
November 30, 1995 to June 30, 1996	4.30:1
July 1, 1996 to August 31, 1996	5.00:1
September 1, 1996 to September 30, 1996	4.00:1
October 1, 1996 to November 30, 1996	3.00:1
December 1, 1996 to November 30, 1997	2.00:1
December 1, 1997 to June 30, 1998	1.75:1
July 1, 1998 to June 30, 1999	1.50:1

(c) Fixed Charge Coverage Ratio:

Rolling Period Ending From	Ratio
December 31, 1995 to June 30, 1996	0.60:1
July 1, 1996 to September 30, 1996	1.00:1
October 1, 1996 to June 30, 1999	1.05:1

(d) Interest Coverage Ratio:

Rolling Period Ending From	Ratio
December 31, 1995 to June 30, 1996	2.20:1
July 1, 1996 to August 31, 1996	1.50:1
September 1, 1996 to November 30, 1996	3.00:1
December 1, 1996 to June 30, 1999	4.00:1

SECTION 2. Amendments to Specialty Guaranty. Section 7 of the Guaranty is amended to permit Specialty to sell shares of its common stock in an initial public offering (the "IPO") on or prior to December 31, 1996 with Net Cash Proceeds of at least $5,000,000 and to permit the conversion of the Subordinated Notes and the Preferred Stock of the Guarantor into common stock of the Guarantor".

SECTION 3. Waiver and Consent. The Lenders hereby waive (a) any payment required by Section 2.06(b)(i) for fiscal year 1996 if the IPO is completed on or prior to December 31, 1996 and (b) the existence of a Default or an Event of Default that may exist prior to the effective date hereof as a result of the breach of any covenant or other term or provision of the Credit Agreement amended hereby.

SECTION 4. Conditions of Effectiveness. Sections 1,2 and 3 of this Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received counterparts of this Amendment executed by the Borrower and the Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment and the consent attached hereto executed by the Guarantors and each other Loan Party and the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Agent and in sufficient copies for each Lender, in form and substance satisfactory to the Required Lenders and in sufficient copies for each Lender:

(a) Certified copies of (i) the resolutions of the Board of Directors of (A) the Borrower approving this Amendment and the matters contemplated hereby and thereby and (B) the Guarantor and each other Loan Party evidencing approval of the Consent and the matters contemplated hereby and thereby and (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment, and the Consent and the matters contemplated hereby and thereby.

(b) A certificate of the Secretary or an Assistant Secretary of the Borrower, the Guarantors and each other Loan Party certifying the names and true signatures of the officers of the Borrower, and the Guarantors and such other Loan Party authorized to sign this Amendment and the Consent and the other documents to be delivered hereunder and thereunder.

(c) Counterparts of the Consent appended hereto (the "Consent"), executed by the Guarantors and each of the Loan Parties (other than the Borrower).

(d) A certificate signed by a duly authorized officer of the Borrower and each other Loan Party stating that:

(i) The representations and warranties contained in Section 5 are correct on and as of the date of such certificate as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a date other than the date of such certificate; and

(ii) After giving effect to this Amendment, no event has occurred and is continuing that constitutes a Default.

(e) The Agent shall have received Forms UCC-1 relating to SC Direct, Inc. executed by the Borrower.

(f) The Borrower shall have received the Franklin Proceeds and the junior subordinated obligations shall have been created in accordance with the terms of the letter agreement dated June 1, 1996 between SC Direct, Inc. and Martin Franklin, and supplemented by a memorandum dated July 25, 1996 from Mr. Franklin relating to the Persons making such investment (the "Franklin Group") and such agreement and memorandum are the only agreements between the Franklin Group and the Loan Parties relating to the investment by the Franklin Group in the Loan Parties. A true and correct copy of such documents shall have been delivered to the Agent and the obligations thereunder shall thereafter be deemed to be "Subordinated Notes" and documents "Subordinated Debt Documents".

(g) The Working Capital Advances, together with accrued interest thereon, will be repaid in full on the date of the closing of the IPO.

The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 5. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction indicated in the recital of parties to this Amendment.

(b) The execution, delivery and performance by the Borrower of this Amendment and the Loan Documents, as amended hereby, to which it is or is to be a party, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not (i) contravene the

Borrower's charter or by-laws, (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934, as amended, and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule or regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), or any order, writ, judgment, injunction, decree, determination or award, binding on or affecting the Borrower or any of its Subsidiaries or any of their properties, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Borrower, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Collateral Documents, as amended

hereby, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Borrower or any of its Subsidiaries.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Borrower of this Amendment or any of the Loan Documents, as amended hereby, to which it is or is to be a party, other than the filing of charter amendments.

(d) This Amendment has been duly executed and delivered by the Borrower. This Amendment and each of the other Loan Documents, as amended hereby, to which the Borrower is a party are legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

(e) There is no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries (including, without limitation, any Environmental Action) pending or threatened before any court, governmental agency or arbitrator that (i) could reasonably be expected to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Amendment or any of the other Loan Documents, as amended hereby, or the consummation of any of the transactions contemplated hereby.

SECTION 6. Reference to and Effect on the Loan Documents. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a

reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement, Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or

remedy of any Lender or the Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 7. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 7.04 of the Credit Agreement. In addition, the Borrower shall pay any and all Other Taxes payable or determined to be payable in connection with the execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, and agrees to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such Other Taxes.

SECTION 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 9. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10. Fee Letter. In the event the Termination Date occurs on or prior to March 31, 1997 and all Obligations under the Loan Documents (excluding the success fee payable under the fee letter dated November 23, 1994

between BNP and the Borrower) are paid in full in cash, the success fee payment to BNP required by the fee letter will be waived and the obligation to pay such success fee will be terminated.. If the IPO occurs on or before December 31, 1996, it will not constitute a "Triggering Event" under the fee letter.

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

SC CORPORATION

By

Title:

Date:

BANQUE NATIONAL DE PARIS,
as Agent and as Lender

By

Title:

By

Title:
Date:

CONSENT

Dated as of August 14, 1996

The undersigned, Royal Advertising and Marketing, Inc., a Massachusetts corporation and SC Publishing, Inc., a California corporation, as Guarantors under the Guaranty and as the Parties to the Security Agreement, in each case, dated November 23, 1994 as amended by the First Amendment, Waiver and Consent (the "First Amendment") thereto, dated as of August 16, 1995 (as so
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amended, the "Guaranty" and the "Security Agreement") in favor of the Agent and,
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for its benefit and the benefit of the Lenders parties to the Credit Agreement as amended by the First Amendment and the Second Amendment and Consent (the

"Second Amendment") thereto, dated as of August 14, 1996 (as so amended, the "Credit Agreement"), hereby consent to such Second Amendment and hereby confirm and agree that (a) notwithstanding the effectiveness of such Second Amendment, the Guaranty and the Security Agreement are, and shall continue to be, in full force and effect and are hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Second Amendment, each reference in the Guaranty and the Security Agreement to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as further amended by such Second Amendment, and (b) the Collateral Documents to which such Guarantor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

Royal Advertising & Marketing, Inc.

By

Date: Title:

SC Publishing, Inc.

Date: By

Title:

CONSENT

Dated as of August 14, 1996

The undersigned, Specialty Catalog Corp., a Delaware corporation and SC Holdings L.L.C., a limited liability company organized under the laws of the State of Delaware, as Pledgor under the Pledge Agreement dated November 30, 1994 as amended by the First Amendment, Waiver and Consent (the "First Amendment") thereto, dated as of August 16, 1995 (as so amended, the "Pledge Agreement") in favor of the Agent and, for its benefit and the benefit of the Lenders parties to the Credit Agreement as amended by the First Amendment and the Second Amendment and Consent (the "Second Amendment") thereto, dated as of August 14, 1996 (as so amended, the "Credit Agreement"), hereby consent to such Second Amendment and hereby confirm and agree that (a) notwithstanding the effectiveness of such Second Amendment, the Pledge Agreement is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Second

Amendment, each reference in the Pledge Agreement to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as further amended by such Second Amendment, and (b) the Collateral Documents to which such Pledgor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

Specialty Catalog Corp.

Date: By

Title:

SC Holdings L.L.C.

Date: By

Title:

CONSENT

Dated as of August 14, 1996

The undersigned, Specialty Catalog Corp., a Delaware corporation and SC Holdings L.L.C., a limited liability company organized under the laws of the State of Delaware, as Guarantor under the Guaranty dated November 30, 1994 as amended by the First Amendment, Waiver and Consent (the "First Amendment") thereto, dated as of August 16, 1995 and the Second Amendment and Consent (the "Second Amendment") thereto, dated as of August 14, 1996 (as so amended, the "Guaranty") in favor of the Agent and, for its benefit and the benefit of the Lenders parties to the Credit Agreement as amended by the First Amendment and the Second Amendment (as so amended, the "Credit Agreement"), hereby consent to such Second Amendment and hereby confirm and agree that (a) notwithstanding the effectiveness of such Second Amendment, the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Second Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as further amended by such Second Amendment, and (b) the Collateral Documents to which such Guarantor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

Specialty Catalog Corp.

By

Date: Title:

SC Holdings L.L.C.

By

Date: Title:

EXHIBIT B TO THE
CREDIT AGREEMENT

FORM OF NOTICE OF BORROWING

Banque Nationale de Paris,
as Agent under the
Credit Agreement
referred to below
499 Park Avenue
New York, NY 10022 [Date]

Attention: Ms. Julia Requena

Ladies and Gentlemen:

The undersigned, SC Corporation (the "Borrower"), refers to the
----
Credit Agreement dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement", the terms defined
----
therein being used herein as therein defined), among the Borrower, certain Lender Parties party thereto, and Banque Nationale de Paris, as Agent for said Lender Parties, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the Borrower hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section
----

2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____ __, 199 .

(ii) The Facility under which the Proposed Borrowing is requested is the _____ Facility.

(iii) The Type of Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].

(iv) The aggregate amount of the Proposed Borrowing is $_____.

[(v) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is _____ month[s].]

(vi) Borrowing Base Availability

(1)	(a)	Net Availability Total from Schedule 1 on the most recently delivered Borrowing Base Certificate
	(b)	50% of Available Amount of Trade Letters of Credit used to purchase Inventory which would otherwise be Eligible Inventory
	(c)	Total
	(d)	Enter lesser of (1)(c) and the Working Capital Facility
(2)		Working Capital Advances Outstanding
(3)		Aggregate Principal Amount of Letter of Credit Advances Outstanding
(4)		Total Available Amount of all Letters of Credit Outstanding
(5)		Total Working Capital Availability [(1)(d) less (2) less (3) less (4)]

The Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in each Loan Document are correct on and as of the date of the Proposed Borrowing, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a specific date other than the date of the Proposed Borrowing, in which case, as of such specific date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(C) after giving effect to such Borrowing (a) the lesser of (1) the sum of the Loan Values of the Eligible Collateral plus 50% of the Available Amount of Trade Letters of Credit issued for the purpose of purchasing Inventory which would otherwise be Eligible Inventory and (2) the Working Capital Facility shall exceed (b) the aggregate principal amount of Working Capital Advances plus the Letter of Credit Advances plus the aggregate
---- ----
Available Amount of all Letters of Credit then outstanding after giving effect to such Advance or issuance, respectively.

Very truly yours,

SC CORPORATION

By _____
Title:

EXHIBIT D TO THE
CREDIT AGREEMENT

BORROWING BASE CERTIFICATE

Date: _____, 19__

To: Banque Nationale de Paris,
as Agent
499 Park Avenue
New York, New York 10022
Attn: Mr. Stephen Kovacs
Telecopy: (212) 418-8269

BORROWING BASE CERTIFICATE

Borrowing Base Availability as at the date hereof:

(1) (a) Net Availability Total from Schedule 1

(b) 50% of Available Amount of Trade Letters of Credit used to purchase Inventory which would otherwise be Eligible Inventory

(c) Total

(d) Enter lesser of (1)(c) and the Working Capital Facility

(2) Working Capital Advances Outstanding

(3) Aggregate Principal Amount of Letter of Credit Advances Outstanding

(4) Total Available Amount of all Letters of Credit Outstanding

(5) Total Working Capital Availability [(1)(d) less (2) less (3) less (4)]

This report is submitted pursuant to the Credit Agreement dated as of November 23, 1994 among SC Corporation, as Borrower, the lenders (the "Lenders") that are, or may from time to time become, party thereto and Banque Nationale de Paris, New York Branch, as agent (the "Agent") for the Lenders thereunder as the same may be amended from time to time (the "Credit Agreement"). The Agent has been granted a security interest in, among other things, the Inventory pursuant to the Loan Documents. Unless otherwise indicated, capitalized terms used herein have the meanings ascribed to them in the Credit Agreement.

The undersigned hereby certifies that (i) the amounts and the representations set forth herein are true and correct in all material respects, (ii) the calculations determined herein are determined in accordance with GAAP and (iii) except as noted, none of the Inventory referred to in this report falls within the ineligible or prohibited categories as noted in the Credit

Agreement. We further confirm the above mentioned assignment and grant of security interest in the Inventory to the Agent.

SC CORPORATION

Date: _____

By: _____
Name:
Title:

SCHEDULE 1

Inventory Net Availability

(a) Gross Inventory

==========

Less: Ineligible Inventory

(b) Inventory consisting of "perishable agricultural commodities" or on which a Lien has arisen or may arise in favor of agricultural producers

_____

(c) Inventory located on leaseholds as to which the lessor has not entered into a consent and agreement providing for the rights of the Agent

_____

(d) Inventory in respect of which the Security Agreement does not create a valid and perfected first priority Lien in favor of the Agent, the Issuing Bank, the Lenders and the Hedge Banks securing the Secured Obligations

_____

(e) Inventory with respect to which the

representations and
warranties set forth
in the Security Agreement
are not true and correct

_____

(f) Inventory consisting of
promotional and marketing
materials and shipping and
other supplies

_____

(g) Inventory that fails to
meet any standards imposed
by any governmental agency
or regulatory authority that
is not saleable in the ordinary
course of business

_____

(h) Inventory subject to a
licensing, patent, royalty, trademark
or other such agreement with any
third party as to which a dispute
exists

_____

(i) Inventory not in the possession
or sole control of the
Borrower or any Subsidiary
[other than Inventory that would
otherwise be Eligible Inventory
(i) that is in transit being shipped
through a common carrier,
(ii) to which title has passed to the
Borrower free and clear of all Liens and
(iii) to which the Agent is named as
loss payee under an insurance policy
covering risk of loss or damage
of the Inventory]/1/

_____

(j) Inventory located
outside the United States
[other than Inventory that would
otherwise be Eligible Inventory

(i) that is in transit being shipped through a common carrier, (ii) to which title has passed to the Borrower free and clear of all Liens and (iii) to which the Agent is named as loss payee under an insurance policy covering risk of loss or damage of the Inventory]/1/

_____

* exclusion to be used in either (i) or (j).

(k) Inventory consisting of work in progress

_____

(l) Inventory that is obsolete, unusable or otherwise unavailable for sale in the ordinary course of business of the Borrower

_____

(m) Total ineligible Inventory [sum of (b) through (l)]

_____

(n) Eligible Inventory [(a) less (m)]

_____

Net Availability at 50% of Adjusted Eligible Inventory [(n) multiplied by 50%]

==========

ANNEX 1

Franklin Group

Names	Investments

EXHIBIT 10.07

EXECUTION COPY

SECURITY AGREEMENT

Dated November 23, 1994

by and among

WIGS BY PAULA, INC.,

WESTERN SCHOOLS, INC.

and

ROYAL ADVERTISING & MARKETING, INC.

as Grantor,

and

BANQUE NATIONALE DE PARIS,

NEW YORK BRANCH,

as Agent

<TABLE>
<CAPTION>

T A B L E O F C O N T E N T S

SCHEDULES

EXHIBITS

SECURITY AGREEMENT

SECURITY AGREEMENT dated November 23, 1994 made by and among WIGS BY PAULA, INC., a Massachusetts corporation with an office at 21 Bristol Drive, South Easton, MA 02375 (the "Borrower"), WESTERN SCHOOLS, INC. a California

corporation with an office at 7840 El Cajon Blvd., La Mesa, CA 91941

("Western"), ROYAL ADVERTISING & MARKETING, INC., a Massachusetts corporation
----
with an office at 21 Bristol Drive, South Easton , MA 0275 ("Royal") (the
-----
Borrower, Western, Royal and the Additional Grantors (as defined in Section 23)
being, collectively, the "Grantor") to Banque Nationale de Paris, New York
----
Branch ("BNP"), as agent (together with any successor agent appointed pursuant
---
to Article VII of the Credit Agreement (as hereinafter defined), the "Agent")
-----
for the Lenders and the Issuing Bank under the Credit Agreement and as custodian
for the Hedge Banks (as hereinafter defined).

PRELIMINARY STATEMENTS:

(1) The Lenders, the Issuing Bank and Agent have entered into a Credit Agreement dated as of November 23, 1994 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the capitalized terms
----
defined therein, and not otherwise defined herein, being used herein as therein defined) with the Borrower.

(2) The Grantor is the owner of the shares of stock, and of the warrants, rights and options to acquire the shares of stock (collectively, the

"Pledged Shares"), described opposite the Grantor's name on Part A of Schedule I
----
hereto and issued by the corporations named therein and of the indebtedness (the "Pledged Indebtedness") described opposite the Grantor's name on Part B of
----
Schedule I hereto and issued by the obligors named therein.

(3) The Borrower has opened a non-interest bearing cash collateral account (the "L/C Cash Collateral Account") with the Agent at its offices at 499

Park Avenue, New York, New York 10022, Account No. 20178600052, in the name of the Borrower but under the sole dominion and control of the Agent and subject to the terms of this Agreement.

(4) The Borrower may invest in Hedge Agreements (such Hedge Agreements being, collectively, the "Secured Hedge Agreement") with one or more Lenders (such Lenders being, collectively, the "Hedge Banks") to obtain the protection required by Section 5.01(n) of the Credit Agreement against fluctuations in certain interest rates.

(5) It is a condition precedent to the making of Advances by the Lenders under the Credit Agreement and the issuance of Letters of Credit by the Issuing Bank under the Credit Agreement that the Grantor shall have granted the assignment and security interest and made the pledge and assignment contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances and the Issuing Bank to issue Letters of Credit, the Grantor hereby agrees with the Agent for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Hedge Banks as follows:

SECTION 1. Grant of Security. The Grantor hereby assigns and pledges
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to the Agent for its benefit and the ratable benefit of the Issuing Bank and the Lenders and the Hedge Banks, and hereby grants to the Agent for its benefit and the ratable benefit of the Lenders and the Hedge Banks, a security interest in the following (collectively, the "Collateral"):

(a) all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to all equipment in all of its forms, wherever located, now or hereafter existing, all fixtures and all parts thereof and all accessions thereto (any and all such equipment, fixtures, parts and accessions being the "Equipment");

(b) all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to all inventory in all of its forms, wherever located, now or hereafter existing (including, but not limited to, all (i) raw materials and work in process therefor, finished goods thereof and materials used or consumed in the manufacture or production thereof, (ii) goods in which the Grantor has an interest in mass or a joint or other interest or right of any kind (including, without limitation, goods in which the Grantor has an interest or right as consignee) and (iii) goods that are returned to or repossessed by the Grantor), and all accessions thereto and products thereof and documents therefor (any and all such inventory, accessions, products and documents being the "Inventory");

(c) all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to all accounts, contract rights, chattel paper, instruments, deposit accounts, general intangibles (other than the proceeds from the "key man" life insurance policies covering Stephen O'Hara and Stephen Bock pursuant to Section 16 of the Employment Agreements) and other obligations of any kind, now or hereafter existing, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights now or hereafter existing in and to all security agreements, leases and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, deposit accounts, general intangibles or obligations (any and all such accounts, contract rights, chattel paper, instruments, deposit accounts, general intangibles and obligations, to the extent not referred to in clause (d), (e), (f) or (g) below, being the "Receivables", and any and all such leases, security agreements and other contracts being the "Related Contracts");

(d) all of the following (collectively, the "Security Collateral"):

(i) the Pledged Shares (preferred and common) and the certificates representing the Pledged Shares, and all dividends, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(ii) the Pledged Indebtedness, all subordinated notes and the instruments evidencing the Pledged Indebtedness, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Indebtedness;

(iii) all additional shares of stock (preferred and common) and all additional warrants, rights or options to acquire shares of stock, from time to time acquired by the Grantor in any manner, and the certificates representing such additional shares and such additional warrants, rights or options and all dividends, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional shares or such additional warrants, rights or options;

(iv) all additional indebtedness and all subordinated notes from time to time held by the Grantor in any manner and the instruments evidencing such additional indebtedness, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all such additional promissory notes and debt instruments;

(v) all of the Borrower's right, title and interest in and to the agreements listed on Schedule V, as such agreements may be amended or otherwise modified from time to time (collectively, the "Assigned Agreements"), including, without limitation, (i) all rights of the Borrower to receive moneys due and to become due under or pursuant to the Assigned Agreements, (ii) all rights of the Borrower to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (iii) claims of the Borrower for damages arising out of or for breach of or default under the Assigned Agreements and (iv) the right of the Borrower to terminate the Assigned Agreements, to perform thereunder and to

compel performance and otherwise exercise all remedies thereunder (all such Collateral being the "Agreement Collateral"); and

(e) all of the following (collectively, the "Account Collateral"):

(i) the L/C Cash Collateral Account, all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing the L/C Cash Collateral Account;

(ii) all other deposit accounts of the Grantor, all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing such deposit accounts;

(iii) all Collateral Investments (as hereinafter defined) from time to time and all certificates and instruments, if any, from time to time representing or evidencing the Collateral Investments;

(iv) all notes, certificates of deposit, deposit accounts, checks and other instruments from time to time hereafter delivered to or otherwise possessed by the Agent for or on behalf of the Grantor in substitution for or in addition to any or all of the then existing Account Collateral; and

(v) all interest, dividends, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Account Collateral;

(f) all of the Grantor's right title and interest, whether now owned or hereafter acquired, in and to all intellectual property, patents, patent applications, tradenames, copyrights, trademarks, trade dress, customer lists, marketing materials and data; and

(g) all proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds that constitute property of the types described in clauses (a) through (f) of this Section 1) and, to the extent not otherwise included, all proceeds of any and all of the foregoing Collateral in the form of (i) payments under insurance (whether or not the Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral and (ii) cash.

SECTION 2. Security for Obligations. The pledge, assignment and security interest granted under this Agreement by the Grantor secure the payment of all Obligations of the Grantor now or hereafter existing under this Agreement and each other Loan Document and the Secured Hedge Agreements, whether for principal, interest, premiums, fees, expenses or otherwise (all such Obligations being the "Secured Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Grantor to the Agent, any Lender or the Issuing Bank under the Loan Documents or to the Hedge Banks under the Secured Hedge Agreements but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Grantor.

SECTION 3. Grantor Remains Liable. Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral and (c) none of the Agent, the Lenders, the Issuing Bank or the Hedge Banks shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Agent, any Lender, the Issuing Bank or any Hedge Bank be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Delivery of Security Collateral and Account Collateral. All certificates and instruments representing or evidencing Security Collateral or Account Collateral shall be delivered to and held by or on behalf of the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Agent. The Agent shall have the right, if an Event of Default shall have occurred and be continuing and the Grantor shall have received notice thereof from the Agent, to transfer to or register in the name of the Agent or any of its nominees any or all of the Security Collateral and the Account Collateral, subject only to the revocable rights specified in Section 13(a). In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Security Collateral or Account Collateral for certificates or instruments of smaller or larger denominations.

SECTION 5. Maintaining the L/C Cash Collateral Account and Blocked Accounts. So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding, any Lender or the Issuing Bank shall have any Commitment under the Credit

Agreement or any Hedge Bank shall have any obligation under any Secured Hedge Agreement:

(a) The Borrower shall maintain the L/C Cash Collateral Account with BNP.

(b) It shall be a term and condition of the L/C Cash Collateral Account, notwithstanding any term or condition to the contrary in any other agreement relating to the L/C Cash Collateral Account, and except as otherwise provided in Section 7 and Section 19, that no amount (including,

without limitation, interest on Collateral Investments) shall be paid or released to or for the account of, or withdrawn by or for the account of, the Borrower or any other Person from the L/C Cash Collateral Account.

(c) The Borrower shall maintain deposit accounts (the "Blocked Accounts") other than (i) the accounts used by the Borrower and its Subsidiaries solely to pay the salaries and bonuses of their employees in the ordinary course of business (such other accounts being the "Payroll Accounts") and (ii) the accounts in which the Grantor maintains a zero balance as at the close of each Business Day (the "Zero Balance Accounts") only with banks ("Blocked Banks") that (x) have entered into letter agreements in substantially the form of Exhibit C with the Borrower and the Agent ("Blocked Account Letters") or (y) that are located in the State of California.

(d) The Borrower shall immediately deposit all monies received for any reason from each Person obligated at any time to make any payment to the Borrower for any reason (an "Obligor") in a Blocked Account.

(e) Upon any termination of any Blocked Account or other agreement with respect to the maintenance of a Blocked Account by the Borrower or any Blocked Account Bank, the Borrower shall immediately notify all Obligors that were making payments to such Blocked Account to make all future payments to another Blocked Account. Upon a Default, the Borrower agrees to terminate any or all Blocked Accounts and Blocked Account Letters upon request by the Agent.

The L/C Cash Collateral Account shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other appropriate banking or governmental authority, as are in effect from time to time.

SECTION 6. Investing of Amounts in the L/C Cash Collateral Account. If requested by the Borrower, the Agent shall, subject to the provisions of Section 7 and Section 19, from time to time invest:

(a) amounts on deposit in the L/C Cash Collateral Account in such Cash Equivalents in the name of the Agent as the Borrower may select and the Agent may approve, which approval shall not be unreasonably withheld; and

(b) invest interest paid on the Cash Equivalents referred to in subsection (a) above, and reinvest other proceeds of any such Cash Equivalents that may mature or be sold, in each case in such Cash Equivalents in the name of the Agent as the Borrower may select and the Agent may approve, which approval shall not be unreasonably withheld (the Cash Equivalents referred to in subsection (a) above and in this subsection (b) being, collectively, "Collateral Investments").

Interest and proceeds that are not invested or reinvested in Collateral Investments as provided above shall be deposited and held in the L/C Cash Collateral Account.

SECTION 7. Release of Amounts. Upon the request of the Borrower, so long as no Default shall have occurred and be continuing, the Agent shall pay and release to the Borrower or at its order and at the request of the Borrower,

all amounts in excess of any amounts required to be maintained in the L/C Cash Collateral Account pursuant to the Credit Agreement.

SECTION 8. Representations and Warranties. The Grantor represents and warrants as to itself and its Collateral as follows:

(a) All of the Equipment and Inventory (except such Equipment and Inventory which are in transit or otherwise off such premises in the ordinary course of business) are located at one or more of the locations specified beneath the Grantor's name on Schedule II hereto. The place of business of the Grantor or, if the Grantor has more than one place of business, the chief executive office of the Grantor, and the office where the Grantor keeps its records concerning the Receivables and all originals of all chattel paper that evidence its Receivables, are located at the address listed below the name of the Grantor on the signature pages hereof or, in the case of any Additional Grantor, at the address listed below the name of such Additional Grantor on its Security Agreement Supplement. None of the Receivables or Agreement Collateral is represented or evidenced by a promissory note or other instrument.

(b) The Grantor is the legal and beneficial owner of the Collateral in which it is granting a security interest free and clear of any Lien, except for (i) the pledge, assignment and security interest created by this Agreement and (ii) Liens expressly permitted under Section 5.02(a) of the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the

Collateral is on file in any recording office, except (A) such as may have been filed in favor of the Agent relating to this Agreement or the other Collateral Documents or (B) for which the Agent has received termination statements (Form UCC-3 or a comparable form), duly executed and in proper form for filing, which termination statements shall be properly filed on or immediately following the date of the initial borrowing and (c) Liens expressly permitted under Section 5.02(a) of the Credit Agreement. All of the trade names of the Grantor are set forth below its name on Schedule III hereto.

(c) The Grantor has exclusive possession and control of all of its Equipment and Inventory (except such Equipment and Inventory which are in transit or otherwise off such premises in the ordinary course of business).

(d) The Pledged Shares have been duly authorized and validly issued and are fully paid and nonassessable. The Pledged Indebtedness has been duly authorized, authenticated or issued and delivered and is the legal, valid and binding obligation of the issuers thereof; and neither the Grantor or any of its Subsidiaries party to the Pledged Indebtedness is in default thereunder.

(e) The Pledged Shares constitute the percentage of the issued and outstanding shares of stock, and/or warrants, rights or options to acquire shares of stock, of the issuers thereof indicated on Part A of Schedule I hereto. The Pledged Indebtedness is outstanding in the principal amount indicated on Part B of Schedule I hereto.

(f) The Assigned Agreements, true and complete copies of which have been furnished to each Lender, have been duly authorized, executed and delivered by all parties thereto, have not been amended or otherwise modified, are in full force and effect and are binding upon and enforceable against all parties thereto in accordance with their terms. There exists no default under any Assigned Agreement by any party thereto. Each party to the Assigned Agreements other than the Borrower has executed and delivered to the Borrower a consent, in substantially the form of Exhibit B, to the assignment of the Agreement Collateral to the Agent pursuant to this Agreement.

(g) The Borrower has no deposit accounts other than the Blocked Accounts, the Payroll Accounts and the Zero Balance Accounts listed on Schedule IV.

(h) This Agreement, the pledge of the Security Collateral pursuant hereto and the pledge and assignment of the Account Collateral pursuant hereto create a valid and perfected first priority security interest in the Collateral, except as set forth in Section 5(c) of this Agreement (subject to the Liens expressly permitted under

Section 5.02(a) of the Credit Agreement), securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest will have been duly made within three Business Days of the date hereof.

(i) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the grant by the Grantor of the assignment and security interest granted hereby, the pledge by the Grantor of the Security Collateral pursuant hereto or the execution, delivery or performance of this Agreement by the Grantor, (ii) the perfection or maintenance of the pledge, assignment and security interest created hereby (including the first priority nature of such pledge, assignment or security interest) or (iii) the exercise by the Agent of its voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement (except as may be required in connection with the disposition of any portion of the Security Collateral by laws affecting the offering and sale of securities generally), in each case other than the filing of financing and continuation statements under the Uniform Commercial Code, which financing statements will have been duly filed within three Business Days of the date hereof, the filing of termination statements under the Uniform Commercial Code, which termination statements shall be filed on or immediately after the date of the initial Borrowing, and the filing of the Trademark, Patent and Copyright Security Agreement in the U.S. Patent and Trademark Office, which shall be duly filed on or immediately after the date of the initial Borrowing.

(j) The Inventory of the Grantor has been produced by the Grantor in compliance with all requirements of the Fair Labor Standards Act.

SECTION 9. Further Assurances. (a) The Grantor agrees that from time to time, at its own expense, it shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that the Agent may deem desirable and may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby (including, without limitation, the first priority nature thereof) or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor shall promptly: (i) mark conspicuously each document included in the Inventory, each chattel paper included in the Receivables, each Related Contract and, at the request of the Agent, each of its records pertaining to the Collateral with a legend, in form and substance reasonably satisfactory to the Agent, indicating that such document, chattel paper, Related Contract or Collateral is subject to the security interest granted hereby; (ii) if any Collateral shall be represented or evidenced by a promissory note or other instrument or

chattel paper, deliver and pledge to the Agent hereunder such note, instrument

or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or as the Agent may deem desirable and may reasonably request in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereby.

(b) The Grantor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Grantor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Grantor shall furnish to the Agent from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

SECTION 10. As to Equipment and Inventory. (a) The Grantor shall keep its Equipment and Inventory (other than Equipment or Inventory in transit or Inventory sold in the ordinary course of business) at the locations specified therefor in Section 8 or, upon 30 days prior notice to the Agent, at such other locations in a jurisdiction where all action required by Section 9 shall have been taken with respect to such Equipment and Inventory.

(b) The Grantor shall take all reasonable steps customary for companies in similar businesses to cause the Equipment to be maintained and preserved in good condition, repair and working order, ordinary wear and tear excepted, and shall promptly, or in the case of any loss or damage to any of the Equipment, as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith that are necessary or desirable to such end in accordance with Section 11(b). The Grantor shall promptly furnish to the Agent a statement respecting any loss or damage to any of the Equipment that would be reasonably likely to impair the value of the Collateral in any material respect.

(c) The Grantor shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including, without limitation, claims for labor, materials and supplies) against, the Equipment and Inventory, other than to the extent not required to be paid under Section 5.01(b) of the Credit Agreement. In producing the Inventory, the Grantor shall comply with all applicable requirements of the Fair Labor Standards Act.

(d) The Grantor, promptly upon the reasonable request of the Agent, shall furnish to the Agent a report detailing changes in the amount and condition of the Equipment, including purchases, depreciation, sales and losses.

(e) The Grantor, promptly upon the reasonable request of the Agent, shall deliver to the Agent such warehouse receipts, bills of lading and other documents of title with respect to Inventory and Equipment as are requested, together with copies of all invoices with respect to the Inventory and Equipment.

SECTION 11. Insurance. (a) The Grantor shall, at its own expense, maintain insurance with respect to the Equipment and Inventory in such amounts, against such risks, in such form and with such insurers, as is usually carried by companies engaged in similar businesses. Each policy for liability insurance shall provide for all losses to be paid on behalf of the Agent and the Grantor as their interests may appear, and each policy for property damage insurance shall provide for all losses (except for losses of less than $100,000 per

occurrence) to be paid directly to the Agent. The Grantor shall use its best efforts to ensure that each such policy shall in addition (i) name the Grantor and the Agent as insured parties thereunder (without any representation or warranty by or obligation upon the Agent) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to the Agent notwithstanding any action, inaction or breach of representation or warranty by the Grantor, (iii) provide that there shall be no recourse against the Agent for payment of premiums or other amounts with respect thereto and (iv) provide that at least ten days' prior notice of cancellation or of lapse shall be given to the Agent by the insurer. The Grantor shall, if so requested by the Agent, deliver to the Agent original or duplicate policies of such insurance and, as often as the Agent may reasonably request, a report of a reputable insurance broker with respect to such insurance. Furthermore, the Grantor shall, at the request of the Agent, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 9 and shall cause the insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained by any Grantor pursuant to this Section 11 may be paid directly to the Person who shall have incurred liability covered by such insurance. In case of any loss involving damage to any Equipment or Inventory when subsection (c) of this Section 11 is not applicable, the Grantor shall exercise reasonable business judgment in determining whether repairs to or replacements of such Equipment or Inventory are necessary or desirable in the ordinary course of business and shall make or cause to be made all such repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by the Grantor pursuant to this Section 11 shall be paid to the Grantor as reimbursement for the costs of such repairs or replacements.

(c) Upon the occurrence and during the continuance of any Default or the actual or constructive total loss (in excess of $100,000 per occurrence) of any Equipment or Inventory, all insurance payments in respect of such Equipment or Inventory shall be paid to and applied by the Agent as specified in Section 19(b).

SECTION 12. Place of Perfection; Records; Collection of Receivables.

(a) The Grantor shall keep its principal place of business and its chief executive office, and the office where it keeps its records concerning the Collateral and all originals of all chattel paper that evidence its Receivables, at the location therefor specified in Section 8(a) or, upon 30 days' prior notice to the Agent, at such other locations in a jurisdiction where all actions required by Section 9 shall have been taken with respect to the Collateral. The Grantor shall hold and preserve such records and chattel paper and shall permit representatives of the Agent at any reasonable time, and upon reasonable notice, and from time to time to examine and make copies of abstracts from such records and chattel paper in accordance with Section 5.01(f) of the Credit Agreement.

(b) Except as otherwise provided in this subsection (b), the Grantor shall continue to collect, at its own expense, all amounts due or to become due the Grantor under the Receivables. In connection with such collections, the Grantor may take (and, at the Agent's direction, shall take) such action as the Grantor or the Agent may reasonably deem necessary or advisable to enforce collection of the Receivables; provided, however, that the Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default and upon notice to the Grantor of its intention to do so, to notify the Obligors under any Receivables of the assignment of such Receivables to the Agent and to direct such Obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Agent and, upon such notification and at the expense of the Grantor, to enforce collection of any such Receivables, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done. After receipt by any Grantor of the notice from the Agent referred to in the proviso to the immediately preceding sentence, (i) all amounts and proceeds

(including instruments) received by the Grantor in respect of the Receivables shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Agent in the same form as so received (with any necessary endorsement or assignment) and if any Event of Default shall have occurred and be continuing, applied as provided by Section 19(b) and (ii) the Grantor shall not adjust, settle or compromise the amount or payment of any Receivable, release any Obligor thereof, in whole or in part, or allow any credit or discount thereon.

SECTION 13. Voting Rights; Dividends; Etc. (a) So long as no Event of Default shall have occurred and be continuing:

(i) The Grantor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Security Collateral or any part thereof for any purpose not expressly prohibited by the terms of this Agreement, or the other Loan Documents or the Secured Hedge Agreements; provided, however, that the Grantor shall not exercise or refrain from exercising any such right if such action or inaction, as the case may be, would be reasonably likely to have a material adverse effect on the value of the Security Collateral or any part thereof.

(ii) The Grantor shall be entitled to receive and retain any and all dividends, distributions and interest paid in respect of the Security Collateral; provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property and assets received or otherwise distributed in respect of, or in exchange for, any Security Collateral,

(B) dividends and other distributions paid in cash in respect of any Security Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Security Collateral

shall be, and shall be forthwith delivered to the Agent to hold as, Security Collateral and, if received by the Grantor, shall be received in trust for the benefit of the Agent, shall be segregated from other property and assets or funds of the Grantor and shall be forthwith delivered to the Agent as Security Collateral in the same form as so received (with any necessary endorsement or assignment). The Grantor, promptly upon the request of the Agent, shall execute such documents and do such acts as may be necessary or desirable in the reasonable judgment of the Agent to give effect to this clause (ii). Any and all money and other property paid over to or received by the Agent pursuant to the provisions of this Section 13(a) shall be retained by the Agent as additional Security Collateral hereunder and applied in accordance with the provisions hereof.

(iii) The Agent shall promptly execute and deliver (or cause to be executed and delivered) to the Grantor all such proxies and other instruments as the Grantor may reasonably request for the purpose of enabling the Grantor to exercise the voting and other consensual rights that it is entitled to exercise pursuant to clause (i) of this

Section 13 and to receive the dividends, distributions or interest payments that it is authorized to receive and retain pursuant to clause (ii) of this Section 13.

(b) If (i) an Event of Default shall have occurred and be continuing, and (ii) the Grantor shall have received notice thereof from the Agent:

(i) All rights of the Grantor to (A) exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 13(a)(i) shall be suspended, and in the event such Default is not cured, cease and (B) receive the dividends, interest payments and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 13(a)(ii) shall be suspended, and all such rights shall thereupon become vested in the Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and retain as Security Collateral such dividends, interest payments and other distributions.

(ii) All dividends, interest payments and other distributions that are received by any Grantor contrary to the provisions of clause (i) of this Section 13(b) shall be received in trust for the benefit of the Agent, shall be segregated from other property and assets or funds of the Grantor and shall be forthwith paid over to the Agent as Security Collateral in the same form as so received (with any necessary endorsement or assignment). Any and all money and other property paid over to or received by the Agent pursuant to the provisions of this Section 13(b) shall be retained by the Agent as additional Security Collateral hereunder and applied in accordance with the provisions hereof.

(c) The Agent shall provide notice to the Grantor of any suspension of the rights of the Grantor described in this Section 13 within a reasonable period of time after such suspension.

SECTION 14. As to the Assigned Agreements. (a) The Borrower shall at its expense:

(i) perform and observe all the terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce the Assigned Agreements in accordance with their terms and take all such action to such end as may be from time to time requested by the Agent; and

(ii) furnish to the Agent promptly upon receipt thereof copies of all notices, requests and other documents received by the Borrower under or pursuant to the Assigned Agreements, and from time to time (A) furnish to the Agent such information and

reports regarding the Collateral as the Agent may reasonably request and (B) upon request of the Agent make to the other party to any Assigned Agreement such demands and requests for information and reports or for action as the Borrower is entitled to make thereunder.

(b) The Borrower shall not:

(i) cancel or terminate any Assigned Agreement or consent to or accept any cancellation or termination thereof;

(ii) amend or otherwise modify any Assigned Agreement or give any consent, waiver or approval thereunder;

(iii) waive any default under or breach of any Assigned

Agreement;

(iv) consent to or permit or accept any prepayment of amounts to become due under or in connection with any Assigned Agreement, except as expressly provided therein; or

(v) take any other action in connection with any Assigned Agreement that would impair the value of the interest or rights of the Borrower thereunder or that would impair the interest or rights of the Agent.

SECTION 15. Transfers and Other Liens; Additional Shares. Except as may be required solely to consummate the Merger and the transactions contemplated in connection therewith, (a) the Grantor agrees not (i) to sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except for dispositions of property and assets expressly permitted under Section 5.02(e) of the Credit Agreement, or (ii) to create or suffer to exist any Lien upon or with respect to any of the Collateral, except for (A) the pledge, assignment and security interest created by this Agreement and (B) Liens expressly permitted under Section 5.02(a) of the Credit Agreement.

(b) The Grantor shall (i) cause each issuer of the Pledged Shares over which it can exercise such control not to issue any stock or other securities in addition to or in substitution for the Pledged Shares issued by such issuer, except to the Grantor, and (ii) pledge to the Agent hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of each issuer of the Pledged Shares.

SECTION 16. The Agent Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Agent the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time

upon the occurrence and during the continuance of a Default, to take any action and to execute any instrument that may be necessary or that the Agent may deem desirable to accomplish the purposes of this Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Agent pursuant to Section 11;

(b) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, endorse and collect any drafts, instruments, chattel paper and other documents in connection with subsection (a) or (b) above (including, without limitation, all instruments representing any dividend, interest payment or other distribution in respect of the Security Collateral or any part thereof) and give full discharge for the same; and

(d) to file any claims, to take any action or to institute any proceedings that may be necessary or that the Agent may deem desirable for the collection of any of the Collateral or otherwise to the rights of the Agent with respect to any of the Collateral.

SECTION 17. The Agent May Perform. If any Grantor fails to perform any agreement contained herein, the Agent, upon notice to the Grantor, may itself perform, or cause the performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Grantor under Section 21(b).

SECTION 18. The Agent's Duties. The powers conferred on the Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the safe custody and preservation of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Security Collateral, whether or not the Agent, any Lender, or the Issuing Bank, any Existing Issuing Bank or any Hedge Bank has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which BNP accords its own property of like tenor.

SECTION 19. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "New York Uniform Commercial Code"), whether or not the New York Uniform Commercial Code applies to the affected Collateral, and also may (i) require the Grantor to, and the Grantor hereby agrees that it shall at its own expense and upon request of the Agent forthwith, assemble all or part of the Collateral as directed by the Agent and make it available to the Agent at a place to be designated by the Agent that is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. The Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale, without further notice, may be made at the time and place to which it was so adjourned.

(b) Any cash held by the Agent as Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon, all or any part of the Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied in whole or in part by the Agent for its benefit, the ratable benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks against all or any part of the Secured Obligations, in the following manner:

(i) first, to the Agent for any amounts owing to the Agent pursuant to Section 21 hereof, Section 8.04 of the Credit Agreement or otherwise under the Loan Documents;

(ii) second, to the Issuing Bank for any amounts owing to the Issuing Bank (other than any Letter of Credit Advances which have been assigned to the Revolving Credit Lenders in accordance with Section 2.03(c)

of the Credit Agreement), ratably in accordance with the aggregate amount owing to the Issuing Bank, pursuant to Section 2.03 or 8.04 of the Credit Agreement or otherwise under the Loan Documents; and

(iii) third, to the Lenders for any amounts owing to the Lenders
-----
under the Loan Documents and to the Hedge Banks for any amounts owing to the Hedge Banks under the Secured Hedge Agreements, ratably in accordance with the aggregate amount of each Facility (allocated, in the case of the Term Advances, to the principal repayment installments thereof in inverse order of maturity) and such amounts owing to each Hedge Bank at such time.

In determining the amounts owing to the Hedge Banks under the Secured Hedge Agreements, the Agent shall be entitled to rely, and be fully protected in relying, upon the Agreement Values of the Secured Hedge Agreements. The term "Agreement Value" means, with respect to any Secured Hedge Agreement at any date of determination, the amount, if any, that would be payable to the Hedge Bank in respect of any "agreement value" under such Secured Hedge Agreement as though such Secured Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Standard Form of Interest Rate and Currency Exchange Agreement, 1987 Edition. Each determination of Agreement Value shall be made by the Agent in good faith and in reliance on any information (including information provided by such Hedge Bank) that it believes accurate, but without any obligation to verify such information. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all of the Secured Obligation shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Agent may exercise any and all rights and remedies of the Grantor in respect of the Collateral, including, without limitation, any and all rights of any Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, any Collateral.

(d) All payments received by any Grantor in respect of the Collateral shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Agent in the same form as so received (with any necessary endorsement or assignment).

(e) The Agent may, without notice to any Grantor, except as required by law, and at any time or from time to time, charge, set off and otherwise apply all or any part of the Secured Obligations against the L/C Cash Collateral Account, or any part thereof.

SECTION 20. Indemnity and Expenses. (a) The Grantor jointly and
----
severally agrees to indemnify the Agent, each Lender, the Issuing Bank and each Hedge

Bank and each of their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims,
----
losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except to the extent that such claims, losses or liabilities are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

(b) The Grantor jointly and severally agrees to pay to the Agent, upon demand, the amount of any and all reasonable expenses (including, without limitation, the reasonable and documented fees and expenses of its counsel and of any experts and agents) that the Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank hereunder or (iv) the failure by the Grantor to perform or observe any of the provisions hereof.

SECTION 21. Security Interest Absolute. The obligations of the Grantor under this Agreement are independent of the Secured Obligations, and a separate action or actions may be brought and prosecuted against the Grantor to enforce this Agreement, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. All rights of the Agent and the pledge, assignment and security interest hereunder, and all obligations of the Grantor hereunder, shall be absolute and unconditional, irrespective of:

(a) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other amendment or waiver of or any consent to any departure from any Loan Document, including, without limitation, any increase in the Secured Obligations resulting from the extension of additional credit to the Borrower or any of its subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any other collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Secured Obligations, or any manner of sale or other disposition of any collateral for all or any of the Secured Obligations or any other assets of the Borrower or any of its subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its subsidiaries; or

(f) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Grantor or a third party grantor of a security interest.

SECTION 22. Amendments; Waivers; Etc. (a) No amendment or waiver of any provision of this Agreement, and no consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(c) Upon the execution and delivery by any Person of a security agreement supplement in substantially the form of Exhibit A hereto (each, a "Security Agreement Supplement"), (i) such Person shall be referred to as an

"Additional Grantor" and shall be and become a Grantor, and each reference in this Agreement to "Grantor" shall also mean and be a reference to such Additional Grantor and (ii) the supplements attached to each Security Agreement Supplement shall be incorporated into and become a part of and supplement Schedules I through IV hereto, as appropriate, and the Agent may attach such supplements to such Schedules, and each reference to such Schedules shall mean and be a reference to such Schedules, as supplemented pursuant hereto.

SECTION 23. Notices; Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, (a) if to any Grantor, addressed to it at the address set forth below the name of the Grantor on the signature pages hereof (or, in the case of any Additional Grantor, at the address set forth below the name of such Additional Grantor on the signature page of its Security Agreement Supplement), (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank, addressed to it at its address set forth in Section 8.02 of the Credit Agreement or (c) or as to any party at such other address as shall be designated by such party in a notice to each other party complying as to delivery with the terms of this Section 24. All such notices and other communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, transmitted by telecopier, delivered to the telegraph company or confirmed by telex answerback, respectively, addressed as aforesaid.

SECTION 24. Continuing Security Interest; Assignments Under the Credit Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the later of (i) the cash payment in full of the Secured Obligations and (ii) the Termination Date, (b) be binding upon the Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Agent hereunder, to the benefit of, and be enforceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement.

SECTION 25. Release and Termination. (a) Upon any sale, lease, transfer or other disposition of any item of Collateral in accordance with the terms of the Loan Documents (other than sales of Inventory in the ordinary course of business), the Agent shall, at the appropriate Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release, no Default shall have occurred and be continuing, (ii) the Grantor shall have delivered to the Agent, at least ten Business Days prior to the date of the proposed release, a request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail (including, without limitation, the price thereof and any expenses in connection therewith), together with a form of release for execution by the Agent and a certification by the Grantor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Agent may request and (iii) the proceeds of any such sale, lease, transfer or other disposition required to be applied in accordance with Section 2.06 of the Credit Agreement shall be paid to, or in accordance

with the instructions of, the Agent in accordance with the requirements of Section 2.06 of the Credit Agreement.

(b) Upon the later of (i) the cash payment in full of the Secured Obligations and (ii) the Termination Date, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the appropriate Grantor. Upon any such termination and reversion, the Agent shall, at the appropriate Grantor's expense, return to the Grantor such of the Collateral of the Grantor in its possession as shall not have been sold or otherwise applied pursuant to the terms of the Loan Documents and execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination and reversion.

SECTION 26. The Mortgages. In the event that any of the Collateral hereunder is also subject to a valid and enforceable Lien under the terms of any Mortgage and the terms of such Mortgage are inconsistent with the terms of this Agreement, then, with respect to such Collateral, the terms of such Mortgage shall be controlling in the case of fixtures and leases, letting and licenses of, and contracts and agreements relating to, the real property, and the terms of this Agreement shall be controlling in the case of all other Collateral.

SECTION 27. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or the remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the New York Uniform Commercial Code are used herein as therein defined.

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

THE GRANTOR

WIGS BY PAULA, INC.

By /s/ Steven L. Bock
Name: Steven L. Bock
Title: CEO

WESTERN SCHOOLS, INC.

By /s/ Steven L. Bock
Name: Steven L. Bock
Title: CEO

ROYAL ADVERTISING & MARKETING, INC.

By /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

THE AGENT

BANQUE NATIONALE DE PARIS, NEW YORK BRANCH

By

Name:
Title:

By

Name:
Title:

SCHEDULE I TO THE
SECURITY AGREEMENT

PLEDGED SHARES AND PLEDGED INDEBTEDNESS

PART A

<TABLE>
<CAPTION>

Owner	Issuer	Class of Stock	Par Value	Stock Certificate No(s).	Number of Shares	Percentage of Issued and Outstanding Shares of Issuer
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. SC Corporation	Western Schools Holdings, Inc.	Common	$.01	2	100	100%
2. Western Schools Holdings, Inc.	Western Schools	Common	No par value	7	300	100%
3. SC Corporation	Western Schools	Common	No par value	8	300	100%
4. SC Corporation	Wigs By Paula, Inc.	Common	No par value	2	100	100%

5. Wigs by Paula, Inc.	Eva Gabor International, Inc.	Common	$.01	17	5,461		100%

</TABLE>

PART B

<TABLE>
<CAPTION>

Pledgor	Issuer of Indebtedness	Description of Indebtedness	Debt Certificate Nos.	Final Maturity	Outstanding Principal Amount
<S>	<C>	<C>	<C>	<C>	<C>
NONE					

</TABLE>

SCHEDULE II TO THE
SECURITY AGREEMENT

LOCATIONS OF EQUIPMENT AND INVENTORY

1. Wigs by Paula's equipment and inventory are located at:

21 Bristol Drive
South Easton, MA 02375

and

61 Norfolk Drive
South Easton, MA 02375

2. Western Schools, Inc.'s equipment and inventory are located at:

7840 El Cajon Blvd.
La Mesa, CA 91941

SCHEDULE III TO THE
SECURITY AGREEMENT

TRADE NAMES

WIGS BY PAULA, INC.

Wigs by Paula, Inc. currently owns trademarks for:

<TABLE>
<CAPTION>

US Trademarks	Number
<S>	<C>
1. Paula Young	1341870
2. Celebrity Secrets	1,853,184

Canadian Trademarks	Number

1. Wigs by Paula/Paula Young 392042

</TABLE>

Hallstone Products, Ltd. is a recorded user on the Canadian trademark.

Additionally, we are in the process of obtaining trademarks for:

1. Especially yours
2. A Touch of Class
3. Christine Jordan

Especially Yours and A Touch of Class are in the trademark search process and we expect to own those in the near future.

The Christine Jordan (CJ) trademark process will take longer to acquire, as it is a regular name.

Wigs by Paula regularly registers copyrights for its periodic catalog advertising with the Copyright Office.

<TABLE>
<CAPTION>
WESTERN SCHOOLS

	Trademark	Number
<S>	<C>	<C>
1.	Western Schools (TM)	1699003
2.	Western Schools (SM)	1643051
3.	'W' and Design (TM)	1678470
4.	'W' and Design (SM)	1652660
5.	California - Western Schools (TM)	037549
6.	California - Western Schools (SM)	036679
7.	California - 'W' and Design (TM)	093041
8.	California - 'W' and Design (SM)	037550
9.	Instant CPE Service (SM)	
10.	Nurses' Bookshelf (TM)	
11.	Coursefinder (TM)	
12.	Renewal Express (SM)	

</TABLE>

. Western Schools regularly registers copyrights for its periodic advertising catalogs with the Copyright Office.

. Western Schools regularly registers copyrights for its publications in the fields of nursing, real estate, and CPA's with the Copyright Office. Western Schools has 80 titles copyrighted.

. Western Schools is currently licensee under agreements to reprint four books copyrighted by their authors, for which royalties are paid.

. Western Schools is licensor under an agreement which allows Real Estate License Services of San Diego, CA to reprint certain Western Schools real estate books, for which a royalty is paid.

. Western Schools is licensor under an agreement which allows University of Missouri, Columbia, MO to reprint certain Western Schools nursing books, for which royalty is paid.

SCHEDULE IV TO THE
SECURITY AGREEMENT

DEPOSIT ACCOUNTS

L/C CASH COLLATERAL ACCOUNT

Name of Grantor	Name and Address of Bank	Account Number	Account Name
Wigs by Paula, Inc.	Banque Nationale de Paris, Inc. New York Branch 499 Park Avenue New York, NY 10022	20178600052	Wigs by Paula, Inc

OTHER DEPOSIT ACCOUNTS

<TABLE>
<CAPTION>

Name of Deposit Name Holder	Name and Address of Bank	Account Number	Account Name
<S>	<C>	<C>	<C>
SC Corp.	Fleet Bank	9357706808	SC Funding
Wigs by Paula	1300 Belmont St.	93577066373	Deposit Account*
SC Corp.	Brockton, MA	9363160899	Target Balance
Wigs by Paula		9363564914	Tax Account*
SC Corp.		9357706656	Interest Escrow*
SC Corp.		9356964899	Deposit Account
Wigs by Paula	As above	9357706779	Payroll Account*
SC Corp.		9356964864	Payroll Account
Wigs by Paula	As above	9357705741	Operating Account (ZBA)
Wigs by Paula		9357706381	Refund Account (ZBA)*
Royal Advertising		9363564906	Operating Account (ZBA)
SC Corp.		9363564893	Operating Account (ZBA)

</TABLE>

_____

* SC Corporation, Wigs by Paula, Inc., and Western Schools, Inc. anticipate closing these accounts that were either opened for bankruptcy requirement reasons only, or will have to be closed due to the SC Corporation/Wigs by Paula, Inc. company merge process.

Additionally, Western Schools, Inc. anticipates making their operating account a ZBA.

<TABLE>
<CAPTION>

Name of Deposit Account Holder	Name and Address of Bank	Account Number	Account Name
<S>	<C>	<C>	<C>
SC Corp.		9356964928	Operating Account (ZBA)
SC Corp.		9356964901	Refund Account (ZBA)
Wigs by Paul	Rockland Trust	2178338	Operating Account*
Royal Advertising	288 Union St.	3931447	Operating Account*
Wigs by Paula	Rockland, MA	2178346	Refund Account*
Wigs by Paula		3932125	Deposit Account*
Western Schools	Wells Fargo Bank	4650075096	Operating Account
Western Schools	101 W. Broadway	4650075070	Special Account
Western Schools	San Diego, CA	0650087497	Tax Account*

</TABLE>

SCHEDULE V

Assigned Agreements

* Pledge and Security Agreement, dated as of November 11, 1994 between SC Corporation as pledgee and Wigs L.P. as Pledgor

* Added pursuant to Assumption Agreement, dated as of November 11, 1994 of SC Corporation.

EXHIBIT A TO THE
SECURITY AGREEMENT

FORM OF SECURITY AGREEMENT SUPPLEMENT

_____, 19__

Banque Nationale de Paris,
New York Branch
499 Park Avenue
New York, New York 10022
Attention: Mr. Richard Cushing

Security Agreement dated
November __, 1994
made by and among
the other Grantors party thereto and
Banque Nationale de Paris,
New York Branch,
as Agent

Gentlemen/Women:

Reference is made to the above-captioned Security Agreement (as amended, supplemented or otherwise modified from time to time, the "Security Agreement"). Unless otherwise defined herein, terms defined in the Security Agreement are used herein as therein defined.

The undersigned hereby agrees, as of the date first above written, to become an Additional Grantor under the Security Agreement as if it were an original party thereto and agrees that each reference in the Security Agreement to a "Grantor" shall also mean and be a reference to the undersigned.

The undersigned hereby assigns and pledges to the Agent for its

benefit, the ratable benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks and hereby grants to the Agent for its benefit, the ratable benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks, as collateral for the Secured Obligations a

pledge and assignment of, and a security interest in, all of the right, title and interest of the undersigned in and to its Collateral, whether now owned or hereafter acquired.

The undersigned has attached hereto supplements to Schedules I through IV to the Security Agreement, and the undersigned hereby certifies that such supplements have been prepared by the undersigned in substantially the form of the Schedules to the Security Agreement and are accurate and complete as of the date first above written.

The undersigned hereby makes each representation and warranty set forth in Section 8 of the Security Agreement as to itself and as to its Collateral to the same extent as each other Grantor and hereby agrees to be bound as a Grantor by all of the terms and provisions of the Security Agreement to the same extent as all other Grantors.

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

Very truly yours,

_____,

By_____
Title:
Address:

EXHIBIT B

FORM OF CONSENT AND AGREEMENT

The undersigned hereby acknowledges notice of, and consents to the terms and provisions of, the Security Agreement dated _____, 19__ (the "Security Agreement", the terms defined therein being used herein as therein defined) from _____ (the "Borrower") to _____ as agent (the "Agent") for the Lenders referred to therein, and hereby agrees with the Agent that:

(a) The Agent shall be entitled to exercise any and all rights and remedies of the Borrower under the Assigned Agreement in accordance with the terms of the Security Agreement, and the undersigned shall comply in all respects with such exercise.

(b) The undersigned will not, without the prior written consent of the Agent, (i) cancel or terminate the Assigned Agreement or consent to or accept any cancellation or termination thereof, or (ii) amend or otherwise modify the Assigned Agreement.

[In order to induce the Lenders to make Advances under the Credit Agreement, the undersigned repeats and reaffirms for the benefit of the Lenders and the Agent the representations and warranties made in Section _____ of the Assigned Agreement.]

This Consent and Agreement shall be binding upon the undersigned and its

successors and assigns, and shall inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, the Lenders and their successors, transferees and assigns. This Consent and Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has duly executed this Consent and Agreement as of the date set opposite its name below.

Dated: _____, 19__ [NAME OF OBLIGOR]

By:
Title:

EXHIBIT C

FORM OF BLOCKED ACCOUNT LETTER

November __, 1994

Fleet National Bank
_____
_____

Wigs By Paula, Inc.

Gentlemen/women:

Reference is made to deposit account no. _____ into which certain monies, instruments and other properties are deposited from time to time (the "Account") maintained with you by [NAME OF GRANTOR] (the "Company"). Pursuant to the Security Agreement dated November __, 1994 (the "Security Agreement"), the Company has granted to Banque Nationale de Paris, New York Branch, as agent (the "Agent") for the Lenders referred to in the Credit Agreement dated as of November __, 1994 (the "Credit Agreement") with the Company, a security interest in certain property of the Company, including, among other things, the following (the "Account Collateral"): the Account, all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing the Account, all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Account Collateral and all proceeds of any and all of the foregoing Account Collateral and, to the extent not otherwise included, all (i) payments under insurance (whether or not the Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Account Collateral and (ii) cash. It is a condition to the continued maintenance of the Account with you that you agree to this letter agreement.

By signing this letter agreement, you acknowledge notice of, and consent to the terms and provisions of, the Security Agreement and confirm to the Agent that you have received no notice of any other pledge or assignment of the Account. Further, you hereby agree with the Agent that:

(a) Notwithstanding anything to the contrary in any other agreement relating to the Account, the Account is and will be subject to the terms and conditions of the Security Agreement, will be maintained solely for the benefit of the Agent, will be entitled "Banque Nationale de Paris, New York Branch, as Agent, Re: SC Corporation" and will be subject to written instructions only from an officer of the Agent.

(b) Upon the written request of the Agent to you, which request shall specify that an "Event of Default" under the Credit Agreement has occurred and is continuing (which writing may be by telex or telecopy and upon which you may conclusively rely, absent manifest error), you shall immediately transfer (at the cost and expense of the Company) subject to your usual deposit terms, all funds then or thereafter deposited in the Account by wire transfer to the Agent at 499 Park Avenue, New York, New York 10022, Account No. _____ Re: SC Corporation.

(c) From and after the date that the Agent shall have sent to you a written notice (which writing may be by telex or telecopy and upon which you may conclusively rely, absent manifest error) that an "Event of Default" under the Credit Agreement has occurred and until the date, if any, that the Agent shall have advised you in writing (which writing may be by telex or telecopy and upon which you may conclusively rely, absent manifest error) no Event of Default is continuing, you shall not honor any withdrawal or transfer from, or any check, draft or other item of payment on, the Account, other than any withdrawal, transfer, check, draft or other item made in writing by the Agent or bearing the written consent of the Agent, and, to the extent of collected funds in the Account, you shall honor each such withdrawal, transfer, check, draft or other item made in writing by the Agent or bearing the written consent of the Agent.

(d) You will collect mail from the Account on each of your business days at times that coincide with the delivery of mail thereto.

(e) You will follow your usual operating procedures for the handling of any remittance received in the Account that contains restrictive endorsements, irregularities (such as a variance between the written and numerical amounts), undated or postdated items, missing signatures, incorrect payees, etc.

(f) You will endorse and process all eligible checks and other remittance items not covered by paragraph (e) and deposit such checks and remittance items in the Account.

(g) You will maintain a record of all checks and other remittance items received in the Account and furnish to the Agent a monthly statement of the Account.

(h) You shall furnish to the Agent, promptly upon the reasonable written request of the Agent in each instance, the bank statements and all other information regarding the Account, to the extent the same is provided to the Company, for the period of time specified in such written notice, and the Company hereby authorizes you to furnish same.

(i) You agree that you will not make, and you hereby waive all of your rights to make, any charge, debit or offset to the Account for any reason whatsoever, and waive any and all liens, whether contractual or provided under law, which you may have or hereafter acquire on the Account or funds therein, in each case, other than any charge, offset, debit or lien in respect of your customary service charges relating to the Account.

(j) All service charges and fees with respect to the Account shall be payable by the Company, and deposited checks returned for any reason shall not be charged to the Account.

(k) The Agent shall be entitled to exercise any and all rights of the Company in respect of the Account in accordance with the terms of the Security Agreement, and the undersigned shall comply in all respects with such exercise.

This letter agreement shall be binding upon you and your successors and assigns and shall inure to the benefit of the Agent, the Lenders and their successors, transferees and assigns. You may terminate this letter agreement only upon thirty days' prior written notice to the Company and the Agent. Upon such termination you shall close the Account and transfer all funds in the Account to the Borrower. After any such termination, you shall nonetheless remain obligated promptly to transfer to the Agent all funds and other property received in respect of the Account.

This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

[NAME OF GRANTOR]

By:_____
Title:

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH, as Agent

By:_____
Title:

By:_____
Title:

Acknowledged and agreed to as of
the date first above written:

FLEET NATIONAL BANK

By:_____
Title:

EXHIBIT 10.08

EXECUTION COPY

TRADEMARK AND COPYRIGHT SECURITY AGREEMENT

Dated November 23, 1994

from

WIGS BY PAULA, INC.

and

THE OTHER GRANTORS NAMED HEREIN

as Grantors

to

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

as Agent

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TRADEMARK AND COPYRIGHT SECURITY AGREEMENT

TRADEMARK AND COPYRIGHT SECURITY AGREEMENT dated November 23, 1994 made by Wigs By Paula, Inc., a Massachusetts corporation with an office at 21 Bristol Drive, South Easton, Massachusetts 02375 (the "Borrower"), and Western Schools, Inc., a California corporation ("Western") (the Borrower, Western and the Additional Grantors (as defined in the Security Agreement) being, collectively, the "Grantors"), to Banque Nationale de Paris, New York Branch ("BNP"), as agent (together with any successor agent appointed pursuant to Article VII of the Credit Agreement (as hereinafter defined), the "Agent") for the lenders (the "Lenders") party to the Credit Agreement and for BNP, as issuer of Letters of Credit (the "Issuing Bank") under the Credit Agreement and as custodian for the Hedge Banks (as hereinafter defined).

PRELIMINARY STATEMENTS:

(1) The Lenders, the Agent and the Issuing Bank have entered into a Credit Agreement dated as of November 23, 1994 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with the Borrower.

(2) The Borrower may invest in Hedge Agreements (such Hedge Agreements being, collectively, the "Secured Hedge Agreements") with one or more Lenders (such Lenders being, collectively, the "Hedge Banks") to obtain the protection required by Section 5.01(o) of the Credit Agreement against fluctuations in certain interest rates.

(3) It is a condition precedent to the making of Advances by the Lenders under the Credit Agreement and the issuance of Letters of Credit by the Issuing Bank under the Credit Agreement, and the entering into of the Security Hedge Agreements by the Hedge Banks, that the Borrower shall have granted the assignment and security interest and made the pledge and assignment contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances under the Credit Agreement and the Issuing Bank to issue Letters of Credit under the Credit Agreement and the Hedge Banks to enter into the Secured Hedge Agreements, each Grantor hereby agrees with the Agent for its benefit, the benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks as follows:

SECTION 1. Grant of Security. Each Grantor hereby assigns and pledges
to the Agent for its benefit, the benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks, and hereby grants to the Agent for its benefit, the benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks, a security interest in all of such Grantor's right, title and interest in and to the following whether now owned or hereafter acquired (collectively, the "Intellectual Property Collateral"):

(a) all patents, patent applications and patentable inventions, including, without limitation, each patent and patent application identified in Schedule I attached hereto and made a part hereof, and including without limitation (i) all inventions and improvements described and claimed therein, (ii) the right to sue or otherwise recover for any misappropriations thereof, (iii) all income, royalties, damages and other payments now and hereafter due and/or payable with respect thereto (including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past and future infringements thereof), and (iv) all rights corresponding thereto throughout the world and all reissues, divisions, continuations, continuations-in-part, substitutes, renewals, and extensions thereof, all improvements thereon and all other rights of any kind whatsoever of such Grantor accruing thereunder or pertaining thereto (the "Patents");

(b) all trademarks, service marks, trade names, trade dress or other indicia of trade origin, trademark and service mark registrations, and applications for trademark or service mark registrations and any renewals thereof, including, without limitation, each registration and application identified in Schedule II attached hereto and made a part hereof, and including without limitation (i) the right to sue or otherwise recover for any and all past, present and future infringements and misappropriations thereof, (ii) all income, royalties, damages and other payments now and hereafter due and/or payable with respect thereto (including, without limitation, payments under all licenses entered into in connection therewith, and damages and payments for past or future infringements thereof), and (iii) all rights corresponding thereto

throughout the world and all other rights of any kind whatsoever of such Grantor accruing thereunder or pertaining thereto, together in each case with the goodwill of the business connected with the use of, and symbolized by, each such trademark, service mark, trade name, trade dress or other indicia of trade origin (the "Trademarks");

(c) all copyrights, whether statutory or common law, and whether or not the underlying works of authorship have been published, and all works of authorship and other intellectual property rights therein, all copyrights of works based on, incorporated in, derived from or relating to works covered by such copyrights, all right, title and interest to make and exploit all derivative works based on or adopted from works covered by such copyrights, and all copyright registrations and copyright applications, and any renewals or extensions thereof, including, without limitation, each copyright registration and copyright application, if any, identified in Schedule III attached hereto and made a part hereof, and including, without limitation, (i) the right to print, publish and distribute any of the foregoing, (ii) the right to sue or otherwise recover for any and all past, present and future infringements and misappropriations thereof, (iii) all income, royalties, damages and other payments now and hereafter due and/or payable with respect thereto (including, without limitation, payments under all licenses entered into in connection therewith, and damages and payments for past or future infringements thereof), and (iv) all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of such Grantor accruing thereunder or pertaining thereto (the "Copyrights"); and

(d) all license agreements with any other person in connection with any of the Patents, Trademarks or Copyrights, or such other person's patents, trade names, trademarks or copyrights, whether such Grantor is a licensor or licensee under any such license agreement, including, without limitation, the license agreements listed on Schedule IV attached hereto and made a part hereof, subject, in each case, to the terms of such license agreements, including, without limitation, terms requiring consent to a grant of a security interest, and any right to prepare for sale, sell and advertise for sale, all Inventory (as defined in the Security Agreement) now or hereafter owned by such Grantor and now or hereafter covered by such licenses (the "Licenses").

SECTION 2. Security for Obligations. The pledge, assignment and security interest granted under this Agreement by each Grantor secure the payment of all Obligations of such Grantor now or hereafter existing under this Agreement, each other Loan Document and the Secured Hedge Agreements, whether for principal, interest, premiums, fees, expenses, or otherwise (all such

Obligations being the "Secured Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Grantor to the Agent, any Lender or the Issuing Bank under the Loan Documents or to the Hedge Banks under the Secured Hedge Agreements but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Grantor.

SECTION 3. Grantors Remain Liable. Anything herein to the contrary notwithstanding, (a) each Grantor shall remain liable under the contracts and agreements included in the Intellectual Property Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Intellectual Property Collateral and (c) none of the Agent, the Lenders, the Issuing Bank or the Hedge Banks shall have any obligation or liability under the contracts and agreements included in the Intellectual Property Collateral by reason of this Agreement, nor shall the Agent, any Lender, the Issuing Bank or any Hedge Bank be obligated to perform any of the obligations or duties of such Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. Each Grantor represents and warrants as to itself and its Intellectual Property Collateral as follows:

(a) Such Grantor is the legal and beneficial owner of the entire right, title and interest in and to the Intellectual Property Collateral in which it is granting a security interest free and clear of any Lien, except for (i) the pledge, assignment and security interest created by this Agreement and (ii) Liens expressly permitted under

Section 5.02(a) of the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Intellectual Property Collateral or listing such Grantor or any trade name of such Grantor as debtor is on file in any recording office (including, without limitation, the United States Patent and Trademark Office), except such as (i) may have been filed in favor of the Agent relating to this Agreement or the other Collateral Documents and (ii) may be permitted under Section 5.02(a) of the Credit Agreement.

(b) Set forth in Schedule I is a complete and accurate list of all patents and all patent applications owned by such Grantor. Set forth in

Schedule II is a complete and accurate list of all trademark and service mark registrations and all trademark and service mark applications owned by such Grantor. Set forth in Schedule III is a complete and accurate list of all copyright registrations and copyright applications owned by such Grantor. Set forth in Schedule IV is a complete and accurate list of all Licenses owned by such Grantor in which such Grantor is (i) a licensor with respect to any of the Patents, Trademarks or Copyrights, or (ii) a licensee of any other person's patents, trade names, trademarks or copyrights. Such Grantor has made all necessary filings and recordations to protect and maintain its interest in the patents, patent applications, trademark and service mark registrations, trademark and service mark applications and Licenses set forth in Schedules I, II and IV.

(c) Each patent, patent application, trademark or service mark registration, and trademark or service mark application of such Grantor set forth in Schedules I and II is subsisting and has not been adjudged invalid, unregistrable or unenforceable, in whole or in part, and, to such Grantor's knowledge, is valid, registrable and enforceable. Each License of such Grantor identified in Schedule IV is validly subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and is valid and enforceable. Such Grantor has notified the Agent in writing of all uses of any item of Intellectual Property Collateral which could reasonably be expected to lead to such item becoming invalid or unenforceable, including unauthorized uses by third parties and uses which were not supported by the goodwill of the business connected with such Intellectual Property Collateral.

(d) Such Grantor has not made a previous assignment, transfer or agreement constituting a present or future assignment, transfer or encumbrance of any of the Intellectual Property Collateral. Such Grantor has not granted any license (other than those listed on Schedule IV hereto), release, covenant not to sue, or non-assertion assurance to any person with respect to any part of the Intellectual Property Collateral.

(e) Such Grantor has used reasonable and proper statutory notice in connection with its use of each patent and each registered trademark and service mark contained in Schedules I and II.

(f) This Agreement creates a valid and perfected first priority security interest in the Intellectual Property Collateral (subject to the Liens expressly permitted under Section 5.02(a) of the Credit Agreement), securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly made or taken.

(g) No authorization, approval or other action by, and no notice to or

filing with, any governmental authority or regulatory body or any other third party is required for (i) the grant by such Grantor of the assignment and security interest granted hereby or the execution, delivery or performance of this Agreement by such Grantor, (ii) the perfection or maintenance of the pledge, assignment and security interest created hereby (including the first priority nature of such pledge, assignment or security interest) or (iii) the exercise by the Agent of its rights provided for in this Agreement or the remedies in respect of the Intellectual Property Collateral pursuant to this Agreement, in each case other than the filing of financing and continuation statements under the Uniform Commercial Code, which financing statements have been duly filed, and the filing of this Agreement with the United States Patent and Trademark Office.

(h) Except for the Licenses set forth in Schedule IV and except as set forth in Schedule V hereto, such Grantor has no knowledge of the existence of any right or any claim that is likely to be made by any third party relating to any item of Intellectual Property Collateral.

(i) Except as set forth in Schedule V, no claim has been made and is continuing or threatened that any item of Intellectual Property Collateral is invalid or unenforceable or that the use by such Grantor of any Intellectual Property Collateral does or may violate the rights of any person. Except as set forth in Schedule V, such Grantor has no knowledge of any infringement or unauthorized use of any item of Intellectual Property Collateral.

(j) Such Grantor has taken all necessary steps to use consistent standards of quality in the manufacture, distribution and sale of all products sold and the provision of all services provided under or in connection with any of the Trademarks and has taken all necessary steps to ensure that all licensed users of any of the Trademarks use such consistent standards of quality.

(k) There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.

SECTION 5. Further Assurances. (a) Each Grantor agrees that from time to time, at its own expense, it shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that the Agent may deem desirable and may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby (including, without limitation, the first-priority nature thereof) or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any part of the Intellectual Property Collateral. Without limiting the generality of the foregoing, each

Grantor shall promptly execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or as the Agent may deem desirable and may reasonably request in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereby.

(b) Each Grantor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Intellectual Property Collateral without the signature of such Grantor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Intellectual Property Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) Each Grantor shall furnish to the Agent from time to time statements and schedules further identifying and describing the Intellectual Property Collateral and such other reports in connection with the Intellectual Property Collateral as the Agent may reasonably request, all in reasonable detail.

(d) Each Grantor agrees that, should it obtain an ownership interest in any patent, patent application, patentable invention, trademark, service mark, trade name, trade dress, other indicia of trade origin, trademark or service mark registration, trademark or service mark application, copyright, work of authorship, copyright registration, copyright application or license, which is not now a part of the Intellectual Property Collateral, (i) the provisions of Section 1 shall automatically apply thereto, (ii) any such patent, patent application, patentable invention, trademark, service mark, trade name, trade dress, indicia of trade origin, trademark or service mark registration or trademark or service mark application (together with the goodwill of the business connected with the use of same and symbolized by same), copyright, work of authorship, copyright registration, copyright application or license shall automatically become part of the Intellectual Property Collateral, and (iii) with respect to any ownership interest in any patent, patent application, trademark or service mark registration, trademark or service mark application, copyright registration, copyright application or license that such Grantor should obtain, it shall give prompt written

notice thereof to the Agent in accordance with Section 13 hereof. Each Grantor authorizes the Agent to modify this Agreement by amending Schedules I, II, III and IV (and will cooperate reasonably with the Agent in effecting any such amendment) to include any patent, patent application, trademark or service mark registration, trademark or service mark application, copyright registration, copyright application or license which becomes part of the Intellectual Property Collateral under this Section.

(e) With respect to each patent, patent application, trademark or service mark registration, trademark or service mark application, copyright registration, copyright application and License, each Grantor agrees to take all necessary steps, including, without limitation, in the United States Patent and Trademark Office, the United States Copyright Office or in any court, to (i) maintain each such patent, trademark or service mark registration, copyright registration and License, and (ii) pursue each such patent application, trademark or service mark application, and copyright application now or hereafter included in the Intellectual Property Collateral, including, without limitation, the filing of responses to office actions issued by the United States Patent and Trademark Office and the United States Copyright Office, the filing of applications for any permitted renewal or extension, the filing of affidavits under Sections 8 and 15 of the United States Trademark Act, and the participation in opposition, cancellation and infringement and misappropriation proceedings, the filing of divisional, continuation, continuation-in-part and substitute applications, the filing of applications for re-issue, renewal or extensions, the payment of maintenance fees, and the participation in interference, reexamination, opposition, infringement and misappropriation proceedings. Each Grantor agrees to take corresponding steps with respect to each new or acquired patent, patent application, trademark or service mark registration, trademark or service mark application, copyright registration, copyright application or License to which it is now or later becomes entitled. Any expenses incurred in connection with such activities shall be borne by such Grantor. Each Grantor shall not, without the written consent of the Agent, discontinue use of or otherwise abandon any patent or patentable invention, trademark or service mark identified in Schedules I and II, or abandon any right to file an application for letters patent, trademark or service mark, or abandon any pending application for a letters patent, trademark or service mark identified in Schedules I and II. Further, each Grantor shall not, without the written consent of the Agent, discontinue use of or otherwise abandon any other material patent or patentable invention, trademark or service mark or copyright, or abandon any right to file an application for any other material letters patent, trademark, service mark or copyright, or abandon any pending application for any other material letters patent, trademark, service mark or copyright.

(f) Each Grantor agrees to notify the Agent promptly and in writing if it learns (i) that any item of the Intellectual Property Collateral may be determined to have become abandoned or dedicated (except by nonrenewable expiration occurring through the passage of time) or (ii) of any adverse determination or the institution of any proceeding (including, without limitation, the institution of any proceeding in the United States Patent

and Trademark Office or any court) regarding any item of the Intellectual Property Collateral.

(g) In the event that any Grantor becomes aware that any item of the

Intellectual Property Collateral is infringed or misappropriated by a third party, such Grantor shall promptly notify the Agent and shall take such actions as such Grantor or the Agent deems reasonable and appropriate under the circumstances to protect such Intellectual Property Collateral, including, without limitation, suing for infringement or misappropriation and for an injunction against such infringement or misappropriation. Any expense incurred in connection with such activities shall be borne by such Grantor.

(h) Each Grantor shall continue to use proper statutory notice in connection with its use of each of its patents and registered trademarks and service marks contained in Schedules I and II.

(i) Each Grantor shall take all steps which it or the Agent deems reasonable and appropriate under the circumstances to preserve and protect its Intellectual Property Collateral, including, without limitation, maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks use such consistent standards of quality.

SECTION 6. Transfers and Other Liens. Each Grantor agrees not (i) to sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any item of the Intellectual Property Collateral, except for dispositions of property and assets expressly permitted under Section 5.02(e) of the Credit Agreement, or (ii) to create or suffer to exist any Lien upon or with respect to any of the Intellectual Property Collateral, except for (A) the pledge, assignment and security interest created by this Agreement and (B) Liens expressly permitted under Section 5.02(a) of the Credit Agreement.

SECTION 7. The Agent Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints the Agent such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time upon the occurrence and during the continuance of a Default and with prior notice to such Grantor, to take any action and to execute any instrument that may be necessary or that the Agent may deem desirable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Intellectual Property Collateral,

(b) to receive, endorse and collect any drafts, instruments, chattel paper and other documents in connection with subsection (a) above and give full discharge for the same; and

(c) to file any claims or take any action or to institute any proceedings that may be necessary or that the Agent may deem desirable for the collection of any payments relating to any of the Intellectual Property Collateral or otherwise to enforce the rights of the Agent with respect to any of the Intellectual Property Collateral.

SECTION 8. The Agent May Perform. If any Grantor fails to perform any agreement contained herein, the Agent, with prior notice to such Grantor, may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by such Grantor under Section 11.

SECTION 9. The Agent's Duties. The powers conferred on the Agent hereunder are solely to protect its interest in the Intellectual Property Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the safe custody and preservation of the certificates of registration for any of the Trademarks or the letters patent for any of the Patents in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Intellectual Property Collateral, whether or not the Agent, any Lender, the Issuing Bank or any Hedge Bank has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Intellectual Property Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the certificates of registration for any of the Trademarks or the letters patent for any of the Patents in its possession if such certificates of registration and letters patent are accorded treatment substantially equal to that which BNP accords its own property of like tenor.

SECTION 10. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Intellectual Property Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "New York Uniform Commercial Code"), whether or not the New York Uniform Commercial Code applies to the affected Intellectual Property Collateral, and also may (i) require each Grantor to, and each Grantor hereby agrees that it shall at its own expense and upon request of the Agent forthwith, assemble all or part of the documents and things embodying any part of the Intellectual Property Collateral as directed by the Agent and make them available to the Agent at a place to be

designated by the Agent that is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Intellectual Property Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. In the event of any sale, assignment, or other disposition of any of the Intellectual Property Collateral, the goodwill of the business connected with and symbolized by any Trademarks subject to such disposition shall be included, and such Grantor shall supply to the Agent or its designee such Grantor's know-how and expertise, and documents and things embodying the same, relating to the manufacture, distribution, advertising and sale of products or the provision of services relating to any Intellectual Property Collateral subject to such disposition, and such Grantor's customer lists and other records and documents relating to such Intellectual Property Collateral and to the manufacture, distribution, advertising and sale of such products and services. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Intellectual Property Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale, without further notice, may be made at the time and place to which it was so adjourned.

(b) Any cash held by the Agent as Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon, all or any part of the Intellectual Property Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied in whole or in part by the Agent for its benefit, the benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks against, all or any part of the Secured Obligations, in the following manner:

(i) first, to the Agent for any amounts owing to the Agent
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pursuant to Section 11 hereof, Section 8.04 of the Credit Agreement or otherwise under the Loan Documents;

(ii) second, to the Issuing Bank for any amounts owing to the
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Issuing Bank pursuant to Section 2.13 or 8.04 of the Credit Agreement or otherwise under the Loan Documents; and

(iii) third, to the Lenders for any amounts owing to the Lenders

under the Loan Documents and to the Hedge Banks for any amounts owing to the Hedge Banks under the Secured Hedge Agreements, ratably in accordance

with the aggregate amount of each Facility (allocated, in the case of the Term Advances, to the principal repayment installations thereof in inverse order of maturity) and such amounts owing to each Hedge Bank at such time.

In determining the amounts owing to the Hedge Banks under the Secured Hedge Agreements, the Agent shall be entitled to rely, and be fully protected in relying, upon the Agreement Values of the Secured Hedge Agreements. The term "Agreement Value" means, with respect to any Secured Hedge Agreement

at any date of determination, the amount, if any, that would be payable to the Hedge Bank in respect of any "agreement value" under such Secured Hedge Agreement as though such Secured Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Standard Form of Interest Rate and Currency Exchange Agreement, 1987 Edition. Each determination of Agreement Value shall be made by the Agent in good faith and in reliance on any information (including information provided by such Hedge Bank) that it believes accurate, but without any obligation to verify such information. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all of the Secured Obligations shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Agent may exercise any and all rights and remedies of any Grantor in respect to the Intellectual Property Collateral, including, without limitation, any and all rights of such Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, any of the Intellectual Property Collateral.

(d) All payments received by any Grantor in respect of the Intellectual Property Collateral shall be received in trust for the benefit of the Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Agent in the same form as so received (with any necessary endorsement or assignment).

SECTION 11. Indemnity and Expenses. (a) Each Grantor agrees to

indemnify the Agent, each Lender, the Issuing Bank and each Hedge Bank and each of their respective officers, directors, employees, agents and advisors (each an "Indemnified Party") from and against any and all claims, losses and liabilities

growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except to the extent that such claims, losses or liabilities are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

(b) Each Grantor agrees to pay to the Agent, upon demand, the amount of any and all reasonable expenses (including, without limitation, the reasonable fees and

expenses of its counsel and of any experts and agents) that the Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Intellectual Property Collateral, (iii) the exercise or enforcement of any of the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank hereunder or (iv) the failure by such Grantor to perform or observe any of the provisions hereof.

SECTION 12. Amendments: Waivers: Etc. (a) No amendment or waiver of any provision of this Agreement, and no consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

SECTION 13. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, (a) if to any Grantor, addressed to it at the address set forth below the name of such Grantor on the signature page hereof (or, in the case of any Additional Grantor, on the signature page of its Security Agreement Supplement (as defined in the Security Agreement)), (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank, addressed to it at its address set forth in Section 8.02 of the Credit Agreement or (c) as to any party at such other address as shall be designated by such party in a notice to each other party complying as to delivery with the terms of this Section 13. All such notices and other communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, transmitted by telecopier, delivered to

the telegraph company or confirmed by telex answerback, respectively, addressed as aforesaid.

SECTION 14. Continuing Security Interest: Assignments Under the Credit Agreement. This Agreement shall create a continuing security interest in the Intellectual Property Collateral and shall (a) remain in full force and effect until the later of (i) the cash payment in full of the Secured Obligations and (ii) the Termination Date, (b) be binding upon each Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Agent hereunder, to the benefit of, and be enforceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement

(including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement.

SECTION 15. Release and Termination. (a) Upon any sale, lease, transfer or other disposition of any item of Intellectual Property Collateral in accordance with the terms of the Loan Documents (other than sales of Inventory in the ordinary course of business), the Agent shall, at such Grantor's expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence the release of such item of Intellectual Property Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release, no Default shall have occurred and be continuing, (ii) such Grantor shall have delivered to the Agent, at least five Business Days prior to the date of the proposed release, a request for release describing the item of the Intellectual Property Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail (including, without limitation, the price thereof and any expenses in connection therewith), together with a form of release for execution by the Agent and a certification by such Grantor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Agent may request, (iii) the proceeds of any such sale, lease, transfer or other disposition required to be applied in accordance with Section 2.05 of the Credit Agreement shall be paid to, or in accordance with the instructions of, the Agent at the closing thereof and (iv) the Agent shall have approved such sale, lease

transfer or other disposition in writing.

(b) Upon the later of (i) the cash payment in full of the Secured Obligations and (ii) the Termination Date, the pledge, assignment and security interest granted hereby shall automatically terminate and all rights to the Intellectual Property Collateral shall revert to the appropriate Grantor. Upon any such termination and reversion, the Agent shall, at the appropriate Grantor's expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination and reversion.

SECTION 16. Governing Law: Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Intellectual Property Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the New York Uniform Commercial Code are used herein as therein defined.

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

WIGS BY PAULA, INC.

By: /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

WESTERN SCHOOLS, INC.

By: /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

Agreed and consented to as of
the date first above written:

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH, as Agent

By: /s/ Christopher J. Kiely

Name: Christopher J. Kiely
Title: VP

By: /s/ Alan Mustacchi

Name: Alan Mustacchi
Title: VP

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 23rd day of November, 1994, before me personally came Steven L. Bock to me known, who, being by me duly sworn, did depose and say he resides at 21 Bristol Drive South, Eastern, MA 22375 and that he is the CEO of WIGS BY PAULA, INC., the corporation described in and which executed the above instrument; that he has been authorized to execute said instrument on behalf of said corporation; and that he signed said instrument on behalf of said corporation pursuant to said authority.

/s/ Keith B. Flynn

Notary Public

[Notarial Seal]

KEITH B. FLYNN
NOTARY PUBLIC, State of New York
No. 60-5007908
Qualified in Westchester County
Commission Expires February 8, 1995

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 23rd day of November, 1994, before me personally came Steven L. Bock to me known, who, being by me duly sworn, did depose and say he resides at 7840 El Cajon Blvd., La Mesa, CA 91941 and that he is the CEO of WESTERN SCHOOLS, INC., the corporation described in and which executed the above instrument; that he has been authorized to execute said instrument on behalf of said corporation; and that he signed said instrument on behalf of said corporation pursuant to said authority.

/s/ Keith B. Flynn

Notary Public

[Notarial Seal]

KEITH B. FLYNN
NOTARY PUBLIC, State of New York
No. 60-5007908
Qualified in Westchester County
Commission Expires February 8, 1995

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 23rd day of November, 1994, before me personally came Christopher J. Kiely to me known, who, being by me duly sworn, did depose and say he resides at 499 Park Avenue, New York, NY 10022 and that he is the Vice President of BANQUE NATIONALE DE PARIS, the corporation described in and which executed the above instrument; that he has been authorized to execute said instrument on behalf of said corporation; and that he signed said instrument on behalf of said corporation pursuant to said authority.

/s/ Keith B. Flynn

Notary Public

[Notarial Seal]

KEITH B. FLYNN
NOTARY PUBLIC, State of New York
No. 60-5007908
Qualified in Westchester County
Commission Expires February 8, 1995

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 23rd day of November, 1994, before me personally came Alan Mustacchi to me known, who, being by me duly sworn, did depose and say he resides at 499 Park Avenue, New York, NY 10022 and that he is the Vice President of BANQUE NATIONALE DE PARIS, the corporation described in and which executed the above instrument; that he has been authorized to execute said instrument on behalf of said corporation; and that he signed said instrument on behalf of said corporation pursuant to said authority.

/s/ Keith B. Flynn

Notary Public

[Notarial Seal]

KEITH B. FLYNN
NOTARY PUBLIC, State of New York
No. 60-5007908
Qualified in Westchester County
Commission Expires February 8, 1995

SCHEDULE I PATENTS AND PATENT APPLICATIONS

A. United States Patent Applications: None

B. United States Patents: None

C. Foreign Patent Applications: None

D. Foreign Patents: None

SCHEDULE II - TRADEMARK REGISTRATIONS AND APPLICATIONS

WIGS BY PAULA, INC.

Wigs by Paula, Inc. currently owns trademarks for:

<TABLE>
<CAPTION>

US Trademarks	Number
<S> <C>	<C>
1. Paula Young	1341870
2. Celebrity Secrets	1,853,184

Canadian Trademarks	Number
1. Wigs by Paula/Paula Young	392042

</TABLE>

Hallstone Products, Ltd. is a recorded user on the Canadian trademark.

Additionally, we are in the process of obtaining trademarks for:

1. Especially yours
2. A Touch of Class
3. Christine Jordan

Especially Yours and A Touch of Class are in the trademark search process and we expect to own those in the near future.

The Christine Jordan (CJ) trademark process will take longer to acquire, as it is a regular name.

WESTERN SCHOOLS

<TABLE>
<CAPTION>

TRADEMARK	NUMBER
<S> <C>	<C>
1. Western Schools (TM)	1699003
2. Western Schools (SM)	1643051

3.	"W" and Design (TM)	1678470
4.	"W" and Design (SM)	1652660
5.	California - Western Schools (TM)	037549

</TABLE>
[CAPTION]

<TABLE>

<S> <C> <C>

6.	California - Western Schools (SM)	036679
7.	California - "W" and Design (TM)	093041
8.	California - "W" and Design (SM)	037550
9.	Instant CPE Service (SM)	
10.	Nurses' Bookshelf (TM)	
11.	Coursefinder (TM)	
12.	Renewal Express (SM)	

</TABLE>

. Western Schools regularly registers copyrights for its periodic advertising catalogs with the Copyright Office.

. Western Schools regularly registers copyrights for its publications in the fields of nursing, real estate, and CPA's with the Copyright Office. Western Schools currently has 80 titles copyrighted.

SCHEDULE III - COPYRIGHT REGISTRATIONS AND APPLICATIONS

REAL ESTATE REGISTRATION NUMBERS

Appraisal
TXu 490 869

Disclosures
TXu 490 870

Escrow

TXu 490 871

The Deposit Receipt-Purchase Contract*
TXu 490 873

Residential Property Management
TXu 490 874

Taxation of Real Estate
TXu 490 875

Finance
TXu 490 872

Agency and Ethics
Tx 3 554 532

Real Estate Principles
TX 3 628 321

Business Law
TX 3 554 534

Real Estate Appraisal
TX 3 554 535

Legal Aspects of Real Estate
TX 3 586 065

Real Estate Economics
TX 3 586 064

Real Estate Finance
TX 3 586 063

Property Management
TX 3 586 048

Real Estate Practice
TX 3 586 066

How to Pass the State Exam (Salesperson edition)
SR 117 868

How to Pass the State Exam (Broker edition)
SR 117 867

NURSING COPYRIGHT REGISTRATION NUMBERS

Advanced Weight Control Techniques for Nurses, 1st, 1993
TX 3 739 501

Ambulatory Patient Care
Submitted 11/18/94

An Overview of HIV Infections and Aids 4th Edition
TX 3 758 931

An Overview of HIV Infection and AIDS
TX 3 096 758

Basic of Cancer Chemotherapy, 2nd 1993
TX 3 612 065

Basic of Cancer Chemotherapy,
TX 3 036 577

Basics of Cardiac Arrhythmias: Final Examination
TX 2 831 076

Basic Trauma Nursing Skills, 1st 1991
TX 3 290 686

Cardiovascular Disease: Assessment and Intervention, 2nd, 1993
TX 3 739 500

Cardiovascular Disease: Assessment and Intervention
Tx 3 594 786

Cardiovascular Pharmacology, 2nd, 1993
TX 3 612 066

Cardiovascular Pharmacology,
TXu 482 190

Cardiovascular Pharmacology, Test Booklet
TX 3 884 706

Caring for the Aids Patient
TX 3 096 851

Child Abuse, 3rd, 1993
TX 3 599 297

Diabetes Nursing Care, 1st, 1993

TX 3 594 784

Effective Pain Management, 5th 1994
Submitted

Effective Pain Management, 4th 1992
TX 3 292 970

Effective Pain Management
TX 2 824 695

EKG Interpretation, 1st, 1992
TX 3 291 667

Essentials of Maternal-Child Nursing, 1st, 1992
TX 3 601 590

Lifetime Weight Control Patient Counseling
TX 2 827 059

Lifetime Weight Control Patient Counseling, 3rd, 1993
TX 3 758 925

Normal and Abnormal Breath Sounds Final Examinations, 1st
TX 3 554 533

Nursing Approaches to HIV/AIDS Care, 3rd, 1993
TX 3 739 496

Nursing Approaches to HIV/AIDS Care
TXu 482 192

Nursing Care of the Elderly, 2nd, 1993
TX 3 739 499

Nursing Care of the Elderly
TX 3 291 668

Nursing Ethics, 1st, 1993
TX 3 776 967

Nursing and Malpractice Risks: Understanding the Law 2nd Edition
TX 3 739 497

Nursing and Malpractice Risk: Understanding the Law
TX 3 291 666

Nursing for Women's Health, 1st, 1992

TX 3 558 724

Overview of Anesthesia for Nurses, 1992
TX 3 627 411

Psychiatric Aspects of General Patient Care, 2nd, 1993
TX 3 731 726

Psychiatric Aspects of General Patient Care
TXu 482 191

Substance Abuse, 3rd, 1993
TX 3 758 930

Substance Abuse
TX 3 601 591

Surviving Nursing Final Examination 1990
TX 3 057 719

Teaching Plan for Lifetime Weight Control Patient Counseling,
TX 3 023 236

The Law and Liability: A Guide for Nurses Final Examination
TX 3 057 708

The New Threat of Drug-Resistant Microbes: The Return of Untreatable Common Infection 1994 Edition
Submitted 11-18-94

The New Threat of Drug-Resistant Microbes: The Return of Untreatable Common Infections 1993 Edition
TX 3 558 725

The New Threat of Drug-Resistant Microbes: The Return of Untreatable Common Infections
TX 3 558 725

CPA REGISTRATION NUMBERS

1040 Preparation Workbook 1993 Edition
TX 3 562 697

1040 Preparation Workbook 1991 Edition
TX 3 054 600

1040 Preparation Workbook 1990 Edition

TX 2 829 544

1120 Preparation Guide Workbook 1991 Edition
TX 3 150 652

1120/1065 Preparation Workbook 1994 Edition
TX 3 820 333

A Fresh Look At Deferring Compensation Workbook 1988
TX 2 826 354

Accountants Legal Liability Guide Workbook 1991
TX 3 150 653

Activity-Based Costing Workbook 1994
TX 3 749 326

Alternative Minimum Tax Workbook 1993
TX 3 601 382

Analysis of Financial Statements Workbook 1992
TX 3 292 750

Audit and Accounting Disclosures Manual Test Booklet 1992
TX 3 291 317

Audit and Accounting Practice Techniques & Procedures Workbook 1993
TX 3 820 332

Audit and Accounting Practice Techniques and Procedures Workbook 1989
TX 2 826 018

Audit and Accounting Manual Workbook 1990
TX 3 053 164

Cars: Deductions, Fringe Benefits, RecordKeeping With Companion Tape Workbook 1990
TX 2 826 019

Compilation and Review Workbook 1994
TX 3 884 710

Compilation and Review Workbook 1992
TX 3 291 318

Companion Tape to Personal Financial Planning
SR 128 046

Companion Tape to Planning and Working With the Alternative Minimum Tax 1991
SR 128 047

Companion Tape to Revenue Reconciliation Act of 1989
SR 117 271

Companion Tape to Tax Saving Using Keogh Plans, IRAs and Seps 1990
SR 117 045

Corporate Alternative Minimum Tax Workbook 1994
TX 3 749 327

Corporate Tax Update 1993
TX 3 792 817

CPA's Guide to Personal Computers and Electronic Filing 1994
Submitted 11-18-94

CPA's Guide to Personal Computers and Electronic Filing, 2nd Edition 1993
TX 3 739 902

CPA's Guide to Personal Computers and Electronic Filing 1993
TX 3 579 886

Electronic Tax Return Filing on Line with the IRS 1992
TX 3 291 915

Estate Analysis and Planning Workbook 1991
TX 3 291 321

Estate Planning Guide Workbook 1989
TX 2 829 548

FASB Update 1992
TX 3 812 220

Federal Estate and Gift Taxes Explained Workbook 1989
TX 2 826 355

Federal Taxes Workbook 1993
TX 3 606 995

Federal Taxes and Management Decisions Workbook 1993
TX 3 577 493

Financial Planning Workbook 1993
TX 3 612 064

Fraud Discovery and Control Workbook 1994
TX 3 884 707

GAAP Workbook 1993
TX 3 820 331

GAAS Guide Workbook 1993
submitted 5-1-93

How To Make Computers Work For Your Practice 1992
TX 3 291 459

Individual Tax Update 1994
Submitted additional info 1-26-94

IRS Collections Workbook 1991
TX 3 120 839

IRS Inside and Out, 2nd Edition 1993
TX 3 739 915

IRS Inside & Out 1992
TX 3 601 366

Issues In Accounting Ethics and Professionalism Workbook 1990
TX 2 836 032

Issues In Compensation Tax Workbook 1990
TX 3 054 850

Managing the Malpractice Maze Workbook 1993
TX 3 562 929

Master Federal Tax Manual, Test Booklet 1992 Edition
TX 3 291 319

Modern Internal Auditing Workbook
TX 3 884 708

Partnership Taxation Workbook 1993
TX 3 594 785

Partnership Taxation 1991
TX 3 057 720

Passive Activity Losses Workbook 1993
TX 3 612 062

Pension Planning Workbook 1993
TX 3 601 588

Personal Financial Planning Workbook 1990
TX 3 054 849

Planning for Charitable Giving Workbook 1993
TX 3 749 328

Planning and Working With the Alternative Minimum Tax with Companion Workbook 1990
TX 3 054 604

Planning and Working With the Alternative Minimum Tax Workbook 1989
TX 2 826 356

Preparing the 990 Return Workbook 1993
TX 3 601 592

Preparing the 1040 Return Test Booklet 1992
TX 3 291 316

Preparing the 1065 Return Workbook 1993
TX 3 562 698

Preparing the 1065 Return Test Booklet 1992
TX 3 291 320

Preparing the 1120 Corporate Tax Return Workbook 1993
TX 3 562 699

Preparing the Fiduciary Tax Return Form 1041 Workbook
Submitted 11-18-94

Preparation of the Statement of Cash Flows FASB 95
TX 3 818 432

Real Estate Taxation Workbook 1993
TX 3 562 700

Real Estate Taxation 1991
SR 132 773

Revenue Reconciliation Act of 1989 Workbook 1990
TX 2 892 156

Ria Federal Tax Handbook 1994 Edition Workbook
Submitted 11-18-94

RIA Federal Tax Handbook Workbook 1993
TX 3 601 589

S Corporations Workbook 1993
TX 3 599 296

S Corporations 1991
TX 3 12 023

S Corporations Modules I and II Workbook 1994
TX 3 884 709

S Corporation Modules III and IV Workbook 1994
TX 3 884 711

Tax Planning for Small Businesses 1992
TX 3 612 067

Tax Treatment of the Home Office 1993
TX 3 781 310

Tax Saving Using Keogh Plans, IRAs and SEPs, With Companion Tape, Workbook 1990
TX 2 826 357

Taxation of Closely Held Corporation Workbook
Submitted 11-18-94

The Deposit Receipt - Purchase Contract
TX 3 774 781

The Taxation of Corporate and Partnership Earnings Workbook
Submitted 11-18-94

The Taxation of Property Sale and Exchanges Workbook
Submitted 11-18-94

Travel, Entertainment and Gifts 1992
TX 3 558 723

Travel, Entertainment and Gifts -Revised Edition 1990
SR 117 122

US Master Tax Guide on Disk Workbook 1994
TX 3 820 334

1991 U.S. Master Tax Guide Workbook
TX 3 054 848

1990 U.S. Master Tax Guide Workbook
TX 2 826 358

Working With The Passive Activity Loss Rules Workbook 1989
Tx 2 826 353

Workouts & Turnarounds Workbook 1992
TX 3 612 063

CATALOG COPYRIGHT REGISTRATION NUMBERS

CPAs

Home Study CPE for CPAs September Cpe Savings
Submitted 8-1-94

Home Study CPE for CPAs May Sale
TX 3 807 555

Home Study CPE Software and Practice Aids for CPAs January Sale
TX 3 785 183

Home Study CPE for CPAs May Sale
TX 3 577 587

Home Study CPE for CPAs January CPE Values
TX 3 550 717

September Home Study CPE for CLUs, ChFCs, and CFPs Sale
TX 3 415 412

September Home Study CPE for CPAs Sale
TX 3415 413

Home Study CPE for CPAs September CPE Savings
TX 3 884 713

REAL ESTATE

DRE Approved Real Estate Home Study November Sale
Submitted 10-15-94

DRE Approved Real Estate Home Study September Sale
TX 3 884 715

DRE Approved Real Estate Home Study July Sale
TX 3 807 553

DRE Approved Real Estate Home Study May Sale
TX 3 807 557

DRE Approved Real Estate Home Study March Sale
TX 3 807 551

DRE Approved Real Estate Home Study January Sale
TX 3 78 1856

DRE Approved Real Estate Home Study May Sale
TX 3 577 589

DRE Approved Real Estate Home Study March Sale
TX 3 551 015

DRE Approved Real Estate Home Study January Sale
TX 3 550 710

DRE Approved Real Estate Home Study September Sale
TX 3 415 411

NURSES

Nursing Profession November Sale
Submitted 10-15-94

ANA Accredited Home Study Courses, Plus State-of-the-Art Practice Aids in video, Audio and Software September Sale
TX 3 884 714

Nurses Bookshelf Books, Video, Audio, Software, and Practice Aids for Nurses Catalog
TX 3 884 712

ANA Accredited Home Study Courses, Books, Software and Practice Aids for Nurses January Sale
TX 3 761 758

ANA Accredited Home Study for Nurses March Sale
TX 3 807 552

ANA Accredited Home Study for Nurses May Sale
TX 3 807 556

ANA Accredited Home Study for Nurses July Sales
TX 3 807 554

ANA Accredited Home Study for Nurses January Sale
TX 3 550 715

ANA Accredited Home Study for Nurses Sales (30 Hr Version)
TX 3 551 014

ANA Accredited Home Study for Nurses Sales (15 Hr Version)
TX 3 551 013

ANA Accredited Home Study for Nurses May Sale
TX 3 557 588

September Nurse Sale (30 hours)
TX 3 415 415

September Nurse Sale (15 hours)
TX 3 415 414

SCHEDULE IV - LICENSES

1. International sales licensing contracts.
   (a) Hallstone Products, Ltd.- Canadian licensing contract contract is open-ended but WBP and Hallstone are negotiating to amend this arrangement and plan to do so shortly after the Reorganization is complete.
2. Western Schools is currently licensee under agreements to reprint four books copyrighted by their authors, for which royalties are paid.

3. Western Schools is licensor under an agreement which allows Real Estate License Services of San Diego, CA to reprint certain Western Schools real estate books, for which a royalty is paid.

4. Western Schools is licensor under an agreement which allows University of Missouri, Columbia MO to reprint certain Western Schools nursing books, for which a royalty is paid.

SCHEDULE V - PENDING LITIGATION/UNAUTHORIZED USES

None

Exhibit 10.09

EXECUTION COPY

PLEDGE AGREEMENT

Dated as of November 23, 1994

between

SC CORPORATION

and

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

as Agent

T A B L E O F C O N T E N T S

<TABLE>
<CAPTION>

</TABLE>

SCHEDULE

PLEDGE AGREEMENT

PLEDGE AGREEMENT dated as of November 23, 1994 made by SC CORPORATION, a Delaware corporation with an office at Six Landmark Square, 4th Floor, Stamford, CT 06901 (the "Pledgor"), to Banque Nationale de Paris, New York branch ("BNP"), as agent (together with any successor agent appointed pursuant

to Article VII of the Credit Agreement (as hereinafter defined), the "Agent")
for the Lenders, the Issuing Bank under the Credit Agreement and as custodian for the Hedge Banks (as hereinafter defined).

PRELIMINARY STATEMENTS.

(1) The Lenders, the Issuing Bank and the Agent have entered into a Credit Agreement dated as of November 23, 1994 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement", the capitalized terms defined therein, and not otherwise defined herein, being used herein as therein defined) with Wigs by Paula, Inc. (the "Borrower").

(2) The Pledgor is the owner of the shares of stock, and of the warrants, rights and options to acquire shares of stock (collectively, the "Pledged Shares") described in Schedule I hereto and issued by the corporations named therein.

(3) The Borrowers will invest in Hedge Agreements (such Hedge Agreements being, collectively, the "Secured Hedge Agreements") with one or more Lenders (such Lenders being, collectively, the "Hedge Banks") to obtain the protection against fluctuation in certain interest rates as required by Section 5.01(n) of the Credit Agreement.

(4) It is a condition precedent to the making of Advances by the Lenders under the Credit Agreement and the issuance of Letters of Credit by the Issuing Bank under the Credit Agreement that the Pledgor shall have granted the security interest and made the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances, the Issuing Bank to issue Letters of Credit and the Hedge Banks to enter into arrangements required by Section 5.01(n) under the Credit Agreement, the Pledgor hereby agrees with the Agent for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Hedge Banks as follows:

SECTION 1. Grant of Security. The Pledgor hereby pledges to the Agent for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Hedge Banks, and hereby grants to the Agent for its benefit and the ratable benefit of the Issuing Bank and the Lenders and the Hedge Banks, a security interest in the following (collectively, the "Collateral"):

(a) the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) all additional shares of stock, and all additional warrants, rights or options to acquire shares of stock, from time to time acquired by the Pledgor in any manner, and the certificates representing such additional shares and such additional warrants, rights or options, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, in each case, in respect of or in exchange for any or all of such shares or such additional warrants, rights or options; and

(c) all proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds that constitute property of the types described in clauses (a) and (b) of this Section 1) and, to the extent not otherwise included, all proceeds of any and all of the foregoing Collateral in the form of (i) payments under insurance (whether or not the Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of

the foregoing Collateral and (ii) cash.

SECTION 2. Security for Obligations. This Agreement secures the payment of all Obligations of the Pledgor now or hereafter existing under this Agreement, each other Loan Document and the Secured Hedge Agreement, whether for principal, interest, fees, expenses or otherwise (all such Obligations being the "Secured Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by the Pledgor to the Agent, the Issuing Bank or the Lenders under the Loan Documents or to the Hedge Banks under the Secured Hedge Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Pledgor.

SECTION 3. Delivery of Collateral. All certificates or instruments representing or evidencing Collateral shall be delivered to and held by or on behalf of the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent. The Agent shall have the right, if any Default shall have occurred and be continuing and the Pledgor shall have received notice thereof from the Agent, to transfer to or to register in the name of the Agent or any of its nominees any or all of the Collateral, subject only to the revocable rights specified in Section 7(a). In addition, the Agent shall have the right at any time to exchange certificates or

instruments representing or evidencing Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as to itself and its Collateral as follows:

(a) The Pledgor is the legal and beneficial owner of the Collateral free and clear of any Lien, except for the security interest created by this Agreement and the Liens permitted under Section 5.02(a) of the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Agent relating to this Agreement. The Pledgor has no trade names.

(b) The Pledged Shares have been duly authorized and validly issued and are fully paid and nonassessable.

(c) The Pledged Shares constitute the percentage of the issued and outstanding shares of capital stock of the issuers thereof indicated on Schedule I hereto.

(d) This Agreement, the pledge of the Collateral pursuant hereto and the delivery of the Pledged Shares to the Agent create a valid and perfected first priority security interest in the Collateral, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest will have been duly made or taken within three Business Days of the date hereof.

(e) No authorization, approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or other third party is required for (i) the grant by the Pledgor of the security interest granted hereby, for the pledge by the Pledgor of the Collateral pursuant hereto or for the due execution, delivery or performance of this Agreement by the Pledgor, (ii) the perfection or maintenance of the pledge and security interest created hereby (including the first priority nature of such pledge or security interest), except for the filing of financing statements under the Uniform Commercial Code, which financing statements will have been duly filed within three Business Days of the date hereof or (iii) the exercise by the Agent of its voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with the disposition of any portion of the Collateral by laws affecting the offering

and sale of securities generally.

SECTION 5. Further Assurances. (a) the Pledgor agrees that from time to time, at its own expense, the Pledgor will promptly execute and deliver all further

instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may reasonably request, in order to perfect and protect any pledge or security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Pledgor will: (i) mark conspicuously each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Agent, indicating that such document or Collateral is subject to the security interest granted hereby; (ii) if any Collateral shall be evidenced by an instrument or chattel paper, deliver and pledge to the Agent hereunder such instrument or chattel paper duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Agent may reasonably request, in order to perfect and preserve the pledge and security interest granted or purported to be granted hereby.

(b) the Pledgor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Pledgor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) the Pledgor will furnish to the Agent from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

SECTION 6. Place of Perfection; Records. The Pledgor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Collateral located at the address specified in the recital of parties to this Agreement or, upon 30 days' prior written notice to the Agent, at such other locations in a jurisdiction where all actions required by Section 5 shall have been taken with respect to the Collateral. The Pledgor will hold and preserve such records and will permit representatives of the Agent at any time during normal business hours, and upon reasonable notice, to inspect and make abstracts from such records.

SECTION 7. Voting Rights; Dividends; Etc. (a) So long as no Default shall have occurred and be continuing:

(i) the Pledgor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not expressly prohibited by the terms of this Agreement, the other Loan Documents or the Secured Hedge Agreements; provided, however, that the Pledgor shall not exercise or refrain from exercising any such right if such action or

inaction would be reasonably likely to have a material adverse effect on the value of the Collateral or any part thereof.

(ii) the Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Collateral; provided,

however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Collateral,

shall be, and shall be forthwith delivered to the Agent to hold as, Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Agent, be segregated from the other property or funds of the Pledgor and be forthwith delivered to the Agent as Collateral in the same form as so received (with any necessary indorsement or assignment). The Pledgor shall, upon the request of the Agent, promptly execute such documents and do such acts as may be necessary or advisable in the reasonable judgment of the Agent to give effect to this clause (ii). Any and all money and other property paid over to or received by the Agent pursuant to the provisions of this Section 7(a) shall be retained by the Agent as additional Collateral hereunder and applied in accordance with the provisions hereof.

(iii) The Agent shall promptly execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights that it is entitled to exercise pursuant to clause (i) above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to clause (ii) of this Section 7.

(b) Upon the occurrence and during the continuance of a Default:

(i) All rights of the Pledgor to (A) exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall be suspended and (B) receive the dividends, interest payments and other distributions that it would otherwise be authorized to receive and

retain pursuant to Section 7(a)(ii) shall be suspended and all such rights shall thereupon become vested in the Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Collateral such dividends, interest payments or other distributions.

(ii) All dividends, interest payments and other distributions that are received by the Pledgor contrary to the provisions of clause (i) of this Section 7(b) shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Agent as Collateral in the same form as so received (with any necessary indorsement or assignment). Any and all money and other property paid over to or received by the Agent pursuant to the provisions of this Section 7(b) shall be retained by the Agent as additional Collateral hereunder and applied in accordance with the provisions hereof.

The Agent shall provide notice to the Pledgor of any suspension of the rights of the Pledgor described in this Section 7 within a reasonable period of time after such suspension.

SECTION 8. Transfers and Other Liens; Additional Shares. Except as
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may otherwise be required solely to consummate the Merger and the transactions contemplated in connection therewith: (a) the Pledgor shall not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the pledge,

assignment and security interest created by this Agreement.

(b) the Pledgor shall (i) cause each issuer of the Pledged Shares not to issue any stock or other securities in addition to or in substitution for the Pledged Shares issued by such issuer, except to the Pledgor, and (ii) pledge to the Agent hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of each issuer of the Pledged Shares.

SECTION 9. The Agent Appointed Attorney-in-Fact. the Pledgor hereby irrevocably appoints the Agent Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time upon the occurrence and during the continuance of a Default, to take any action and to execute any instrument that the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(b) to receive, indorse and collect any drafts or other instruments, documents and chattel paper in connection with subsection (a) above (including, without limitation, all instruments representing dividends, interest payments or other distributions in respect of the Collateral or any part thereof) and give full discharge for the same, and

(c) to file any claims or take any action or institute any proceedings that may be necessary or desirable to enforce the rights of the Agent with respect to any of the Collateral.

SECTION 10. The Agent May Perform. If the Pledgor fails to perform any agreement contained herein, the Agent may itself perform, or cause the performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Pledgor under Section 13(b).

SECTION 11. The Agent's Duties. The powers conferred on the Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Agent, the Issuing Bank, or any Lender has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which BNP accords its own property.

SECTION 12. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "N.Y. Uniform Commercial Code") (whether or not the N.Y. Uniform Commercial Code applies to the affected Collateral) and also may (i) require the Pledgor to, and the Pledgor hereby agrees that it will at its expense and upon request of the Agent forthwith, assemble all or part of the Collateral as directed by the Agent and make it available to the Agent at a place to be designated by the Agent that is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at

any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. the Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by the Agent as Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent pursuant to Section 13(b)) in whole or in part by the Agent for its benefit, the ratable benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks against, all or any part of the Secured Obligations in the order set forth in Section 19(b) of the Security Agreement. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Secured Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Agent may exercise any and all rights and remedies of the Pledgor in respect of the Collateral.

(d) All payments received by the Pledgor in respect of the Collateral shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Agent in the same form as so received (with any necessary indorsement or assignment).

SECTION 13. Indemnity and Expenses. (a) The Pledgor agrees to indemnify the Agent, each Lender, the Issuing Bank and each Hedge Bank and each of their respective affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from such Indemnified Party's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) The Pledgor will pay to the Agent, upon demand, the amount of any and all reasonable and documented expenses (including, without limitation, the reasonable fees and expenses of its counsel and of any experts and agents) that the Agent may incur in

connection with (i) the administration of this Agreement, (ii) the custody, preservation, use of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank hereunder or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 14. Amendments; Waivers; Etc. (a) No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank

or any Hedge Bank to exercise, and no delay in exercising any right, power or privilege hereunder, shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

SECTION 15. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopier, telex or cable communication) and, mailed, telegraphed, telecopied, telexed, cabled or delivered (a) if to the Pledgor, addressed to it at the address specified in the recital of parties to this Agreement, Attention: Stephen L. Bock, (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank addressed to it at its address specified in Section 8.02 of the Credit Agreement, or (c) as to any party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 16. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier, confirmed by telex answerback or delivered to the cable company, respectively, addressed as aforesaid.

SECTION 16. Continuing Security Interest; Assignments Under the Credit Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the later of (i) the payment in full in cash of the Secured Obligations and (ii) the Termination Date, (b) be binding upon the Pledgor, its successors and assigns and (c) inure, together with the rights and remedies of the Agent hereunder, to the benefit of, and be enforceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person, and such other

Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement.

SECTION 17. Release and Termination. (a) Upon any sale, lease, transfer or other disposition of any item of Collateral in accordance with the terms of the Loan Documents, the Agent will, at the Pledgor's expense, execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release, no Default shall have occurred and be continuing, (ii) the Pledgor shall have delivered to the Agent, at least ten Business Days prior to the date of the proposed release, a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail (including, without limitation, the price thereof and any expenses in connection therewith), together with a form of release for execution by the Agent and a certification by the Pledgor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Agent may request and (iii) the proceeds of any such sale, lease, transfer or other disposition required to be applied in accordance with Section 2.06 of the Credit Agreement shall be paid to, or in accordance with the instructions of, the Agent in accordance with the requirements of Section 2.06 of the Credit Agreement.

(b) Upon the later of (i) the payment in full in cash of the Secured Obligations and (ii) the Termination Date, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Pledgor. Upon any such termination and reversion, the Agent will, at Pledgor's expense, return to the Pledgor such of the Collateral in its possession as shall not have been sold or otherwise applied pursuant to the terms of the Loan Documents and execute and deliver to the Pledgor such

documents as the Pledgor shall reasonably request to evidence such termination and reversion.

SECTION 18. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the N.Y. Uniform Commercial Code are used herein as therein defined.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

The Pledgor

SC CORPORATION

By /s/ Steven L. Bock
Name: Steven L. Bock
Title: CEO

The Agent

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH

By /s/ Christopher J. Kiely
Name: Christopher J. Kiely
Title: VP

By /s/ Alan Mustacchi
Name: Alan Mustacchi
Title: VP

SCHEDULE I
TO THE PLEDGE AGREEMENT

PLEDGED SHARES

<TABLE>
<CAPTION>

Issuer	Class of Stock	Par Value	Stock Certificate No(s).	Number of Shares	Percentage of Issued and Outstanding Shares of Class
<S>	<C>	<C>	<C>	<C>	<C>
1. SC Corporation	Common	$.01	C-16	868,365	100%
2. SC Corporation	Preferred	$100	P-9	22,491	100%

</TABLE>

PLEDGED INDEBTEDNESS

<TABLE>
<CAPTION>

Issuer of Indebtedness	Description of Indebtedness	Certificate No.	Final Maturity	Outstanding Principal Amount
<S>	<C>	<C>	<C>	<C>

SC Corporation	Subordinated Note	9	11/22/02	$3,680,186

</TABLE>

Exhibit 10.10

EXECUTION COPY

PLEDGE AGREEMENT

Dated as of November 30, 1994

among

SPECIALTY CATALOG CORP.

and

SC HOLDINGS L.L.C.

as Pledgor

and

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

as Agent

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PLEDGE AGREEMENT

PLEDGE AGREEMENT dated as of November 30, 1994 made by SPECIALTY CATALOG

CORP., a Delaware corporation ("Specialty"), with an office at Six Landmark Square, 4th Floor, Stamford, CT 06901, and SC HOLDINGS L.L.C. ("Holdings," and together with Specialty, the "Pledgor") a Delaware Limited Liability Company with an office at Six Landmark Square, 4th Floor, Stamford, CT 06901 , to Banque Nationale de Paris, New York Branch , as agent (together with any successor agent appointed pursuant to Article VII of the Credit Agreement (as hereinafter defined), the Agent") for the Lenders, the Issuing Bank under the Credit Agreement and as custodian for the Hedge Banks (as hereinafter defined).

PRELIMINARY STATEMENTS.

(1) The Lenders, the Issuing Bank and the Agent have entered into a Credit Agreement dated as of November 23, 1994 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement", the capitalized terms defined therein, and not otherwise defined herein, being used herein as therein defined) with Wigs by Paula, Inc. (the"Borrower").

(2) As of the date hereof, Wigs by Paula, Inc. ("Wigs") will be merged with and into SC Corporation ("SC"), a wholly owned subsidiary of Specialty Catalog Corp.

(3) The Pledgor is the owner of the shares of stock, and of the warrants, rights and options to acquire shares of stock (collectively, the "Pledged Shares") described in Schedule I hereto and issued by the corporations named therein. The Pledgor is also the owner of all the subordinated notes (collectively, the "Pledged Indebtedness") described in Schedule I hereto and issued by the corporations named therein.

(4) The Borrower will invest in Hedge Agreements (such Hedge Agreements being, collectively, the "Secured Hedge Agreements") with one or more Lenders (such Lenders being, collectively, the "Hedge Banks ") to obtain the protection against fluctuation in certain interest rates as required by Section 5.01(n) of the Credit Agreement.

(5) Pursuant to Section 5.02(d) of the Credit Agreement, SC, as of the date hereof, shall assume Wigs' Obligations on the Notes and Wigs' Obligations and performance of Wigs' covenants under the Loan Documents to which it is or is to be a party in order to induce the Lenders to continue to make Advances under the Credit Agreement and the Issuing Bank to issue Letters of Credit under the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to continue to make Advances, the Issuing Bank to issue Letters of Credit and the Hedge Banks to enter into arrangements required by Section 5.01(n) under the Credit

Agreement, the Pledgor hereby agrees with the Agent for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Hedge Banks as follows:

SECTION 1. Grant of Security. The Pledgor hereby pledges to the Agent for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Hedge Banks, and hereby grants to the Agent for its benefit and the ratable benefit of the Issuing Bank and the Lenders and the Hedge Banks, a security interest in the following (collectively, the "Collateral"):

(a) the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) the Pledged Indebtedness and the instruments evidencing the Pledged Indebtedness and all interest, cash instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Indebtedness;

(c) all additional shares of stock, and all additional warrants, rights or options to acquire shares of stock, from time to time acquired by the Pledgor in any manner, and the certificates representing such additional shares and such additional warrants, rights or options, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed, in each case, in respect of or in exchange for any or all of such shares or such additional warrants, rights or options; and

(d) all additional indebtedness from time to time held by the Pledgor in any manner and the instruments evidencing such additional indebtedness, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional indebtedness; and

(e) all proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds that constitute property of the types described in clauses (a), (b), (c) and (d) of this Section 1) and, to the extent not otherwise included, all proceeds of any and all of the foregoing Collateral in the form of (i) payments under insurance (whether or not the Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral and (ii) cash.

SECTION 2. Security for Obligations. This Agreement secures the payment of all Obligations of the Pledgor now or hereafter existing under this Agreement, each other Loan Document and the Secured Hedge Agreement, whether for principal, interest, fees, expenses or otherwise (all such Obligations being the "Secured Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by the Pledgor to the Agent, the Issuing Bank or the Lenders under the Loan Documents or to the Hedge Banks under the Secured Hedge Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Pledgor.

SECTION 3. Delivery of Collateral. All certificates or instruments representing or evidencing Collateral shall be delivered to and held by or on

behalf of the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent. The Agent shall have the right, if any Default shall have occurred and be continuing and the Pledgor shall have received notice thereof from the Agent, to transfer to or to register in the name of the Agent or any of its nominees any or all of the Collateral, subject only to the revocable rights specified in Section 7(a). In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as to itself and its Collateral as follows:

(a) The Pledgor is the legal and beneficial owner of the Collateral free and clear of any Lien, except for the security interest created by this Agreement and the Liens permitted under Section 5.02(a) of the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Agent relating to this Agreement. The Pledgor has no trade names.

(b) The Pledged Shares have been duly authorized and validly issued and are fully paid and nonassessable.

(c) The Pledged Shares constitute the percentage of the issued and outstanding shares of capital stock of the issuers thereof indicated on Schedule I hereto.

(d) This Agreement, the pledge of the Collateral pursuant hereto and the delivery of the Pledged Shares and the Pledged Indebtedness to the Agent create a valid and perfected first priority security interest in the Collateral, securing the

payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest will have been duly made or taken within three Business Days of the date hereof.

(e) No authorization, approval or other action by, and no notice to or filing with, any governmental authority, regulatory body or other third party is required for (i) the grant by the Pledgor of the security interest granted hereby, for the pledge by the Pledgor of the Collateral pursuant hereto or for the due execution, delivery or performance of this Agreement by the Pledgor, (ii) the perfection or maintenance of the pledge and security interest created hereby (including the first priority nature of such pledge or security interest), except for the filing of financing statements under the Uniform Commercial Code, which financing statements will have been duly filed within three business days of the date hereof or (iii) the exercise by the Agent of its voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with the disposition of any portion of the Collateral by laws affecting the offering and sale of securities generally.

SECTION 5. Further Assurances. (a) the Pledgor agrees that from time to time, at its own expense, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may reasonably request, in order to perfect and protect any pledge or security interest granted or purported to be

granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Pledgor will: (i) mark conspicuously each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Agent, indicating that such document or Collateral is subject to the security interest granted hereby; (ii) if any Collateral shall be evidenced by an instrument or chattel paper, deliver and pledge to the Agent hereunder such instrument or chattel paper duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Agent may reasonably request, in order to perfect and preserve the pledge and security interest granted or purported to be granted hereby.

(b) the Pledgor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Pledgor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) the Pledgor will furnish to the Agent from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

SECTION 6. Place of Perfection; Records. The Pledgor shall keep its chief
place of business and chief executive office and the office where it keeps its records concerning the Collateral located at the address specified in the recital of parties to this Agreement or, upon 30 days' prior written notice to the Agent, at such other locations in a jurisdiction where all actions required by Section 5 shall have been taken with respect to the Collateral. The Pledgor will hold and preserve such records and will permit representatives of the Agent at any time during normal business hours, and upon reasonable notice, to inspect and make abstracts from such records.

SECTION 7. Voting Rights: Dividends: Etc. (a) So long as no Default shall
have occurred and be continuing:

(i) the Pledgor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not expressly prohibited by the terms of this Agreement, the other Loan Documents or the Secured Hedge Agreements; provided, however, that the Pledgor shall not exercise or refrain from
exercising any such right if such action or inaction would be reasonably likely to have a material adverse effect on the value of the Collateral or any part thereof.

(ii) the Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Collateral; provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise

distributed in respect of, or in exchange for, any Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Collateral,

shall be, and shall be forthwith delivered to the Agent to hold as, Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Agent, be segregated from the other property or funds of the Pledgor and be forthwith delivered

to the Agent as Collateral in the same form as so received (with any necessary indorsement or assignment). The Pledgor shall, upon the request of the Agent, promptly execute such documents and do such acts as may be necessary or advisable in the reasonable judgment of the Agent to give effect to this clause (ii). Any and all money and other property paid over to or received by the Agent pursuant to the provisions of this Section 7(a) shall be retained by the Agent as additional Collateral hereunder and applied in accordance with the provisions hereof.

(iii) The Agent shall promptly execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights that it is entitled to exercise pursuant to clause (i) above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to clause (ii) of this Section 7.

(b) Upon the occurrence and during the continuance of a Default:

(i) All rights of the Pledgor to (A) exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall be suspended and (B) receive the dividends, interest payments and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) shall be suspended and all such rights shall thereupon become vested in the Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Collateral such dividends, interest payments or other distributions.

(ii) All dividends, interest payments and other distributions that are received by the Pledgor contrary to the provisions of clause (i) of this Section 7(b) shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Agent as Collateral in the same form as so received (with any necessary indorsement or assignment). Any and all money and other property paid over to or received by the Agent pursuant to the provisions of this Section 7(b) shall be retained by the Agent as additional Collateral hereunder and applied in accordance with the provisions hereof.

The Agent shall provide notice to the Pledgor of any suspension of the rights of the Pledgor described in this Section 7 within a reasonable period of time after such suspension.

SECTION 8. Transfers and Other Liens: Additional Shares. Except as may

otherwise be required solely to consummate the Merger and the transactions contemplated in connection therewith: (a) the Pledgor shall not (i) sell, assign (by operation of law or

otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the pledge, assignment and security interest created by this Agreement.

(b) the Pledgor shall (i) cause each issuer of the Pledged Shares not to issue any stock or other securities in addition to or in substitution for the Pledged Shares issued by such issuer, except to the Pledgor, and (ii) pledge to the Agent hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of each issuer of the Pledged Shares.

SECTION 9. The Agent Appointed Attorney-in-Fact. the Pledgor hereby
irrevocably appoints the Agent Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time upon the occurrence and during the continuance of a Default, to take any action and to execute any instrument that the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(b) to receive, indorse and collect any drafts or other instruments, documents and chattel paper in connection with subsection (a) above (including, without limitation, all instruments representing dividends, interest payments or other distributions in respect of the Collateral or any part thereof) and give full discharge for the same, and

(c) to file any claims or take any action or institute any proceedings that may be necessary or desirable to enforce the rights of the Agent with respect to any of the Collateral.

SECTION 10. The Agent May Perform. If the Pledgor fails to perform any
agreement contained herein, the Agent may itself perform, or cause the performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Pledgor under Section 13(b).

SECTION 11. The Agent's Duties. The powers conferred on the Agent hereunder
are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral,

whether or not the Agent, the Issuing Bank, or any Lender has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any

Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which BNP accords its own property.

SECTION 12. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "N.Y. Uniform Commercial Code") (whether or not the N.Y. Uniform Commercial Code applies to the affected Collateral) and also may (i) require the Pledgor to, and the Pledgor hereby agrees that it will at its expense and upon request of the Agent forthwith, assemble all or part of the Collateral as directed by the Agent and make it available to the Agent at a place to be designated by the Agent that is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. the Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by the Agent as Collateral and all cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent pursuant to Section 13(b)) in whole or in part by the Agent for its benefit, the ratable benefit of the Issuing Bank and the ratable benefit of the Lenders and the Hedge Banks against, all or any part of the Secured Obligations in the order set forth in Section l9(b) of the Security Agreement. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Secured Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Agent may exercise any and all rights and remedies of the Pledgor in respect of the Collateral.

(d) All payments received by the Pledgor in respect of the Collateral shall be received in trust for the benefit of the Agent, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Agent in the same form as so received (with any necessary indorsement or assignment).

SECTION 13. Indemnity and Expenses. (a) Each Pledgor agrees, jointly and severally, to indemnify the Agent, each Lender, the Issuing Bank and each Hedge Bank and each of their respective affiliates and their officers, directors,

employees, agents and advisors (each, an Indemnified Party") from and against
any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from such Indemnified Party's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) The Pledgor will pay to the Agent, upon demand, the amount of any and all reasonable and documented expenses (including, without limitation, the reasonable fees and expenses of its counsel and of any experts and agents) that the Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank hereunder or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 14. Amendments; Waivers; Etc. (a) No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to exercise, and no delay in exercising any right, power or privilege hereunder, shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

SECTION 15. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopier, telex or cable communication) and, mailed, telegraphed, telecopied, telexed, cabled or delivered (a) if to the Pledgor, addressed to it at the address specified in the recital of parties to this

Agreement, Attention: Stephen L. Bock, (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank addressed to it at its address specified in Section 8.02 of the Credit Agreement, or (c) as to any party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 16. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier, confirmed by telex answerback or delivered to the cable company, respectively, addressed as aforesaid.

SECTION 16. Continuing Security Interest; Assignments Under the Credit Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the later of (i) the payment in full in cash of the Secured Obligations and (ii) the Termination Date, (b) be binding upon the Pledgor, its successors and assigns and (c) inure, together with the rights and remedies of the Agent hereunder, to the benefit of, and be enforceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise

transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement.

SECTION 17. Release and Termination. (a) Upon any sale, lease, transfer or other disposition of any item of Collateral in accordance with the terms of the Loan Documents, the Agent will, at the Pledgor's expense, execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release, no Default shall have occurred and be continuing, (ii) the Pledgor shall have delivered to the Agent, at least ten Business Days prior to the date of the proposed release, a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail (including, without limitation, the price thereof and any expenses in connection therewith), together with a form of release for execution by the Agent and a certification by the Pledgor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Agent may request and (iii) the proceeds of any such sale, lease, transfer or other disposition required to be applied in accordance with Section 2.06 of the Credit Agreement shall be paid to, or in accordance with the instructions of, the Agent in accordance with the requirements of Section 2.06 of the Credit Agreement.

(b) Upon the later of (i) the payment in full in cash of the Secured Obligations and (ii) the Termination Date, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Pledgor. Upon any such termination and reversion, the Agent will, at Pledgor's expense, return to the Pledgor such of the Collateral in its possession as shall not have been sold or otherwise applied pursuant to the terms of the Loan Documents and execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence such termination and reversion.

SECTION 18. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the N.Y. Uniform Commercial Code are used herein as therein defined.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

The Pledgor

SPECIALTY CATALOG CORP.

By /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

SC HOLDINGS L.L.C.

BY DICKSTEIN INTERNATIONAL LIMITED

By DICKSTEIN PARTNERS, INC., its Agent

By

Name:
Title:

(b) Upon the later of (i) the payment in full in cash of the Secured Obligations and (ii) the Termination Date, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Pledgor. Upon any such termination and reversion, the Agent will, at Pledgor's expense, return to the Pledgor such of the Collateral in its possession as shall not have been sold or otherwise applied pursuant to the terms of the Loan Documents and execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence such termination and reversion.

SECTION 18. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the N.Y. Uniform Commercial Code are used herein as therein defined.

IN WITNESS WHEREOF, the Pledgor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

The Pledgor

SPECIALTY CATALOG CORP.

By

Name:
Title:

SC HOLDINGS L.L.C.

BY DICKSTEIN INTERNATIONAL LIMITED

By DICKSTEIN PARTNERS, INC., its Agent

By /s/ Alan Cooper

Name: Alan Cooper
Title: Vice President

The Agent

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH

By /s/ Christopher J. Kiely

Name: Christopher J. Kiely
Title: Vice President

By /s/ Alan Mustacchi

Name: Alan Mustacchi
Title: AVP

SCHEDULE I
TO THE PLEDGE AGREEMENT

PLEDGED SHARES

<TABLE>
<CAPTION>

Issuer	Class of Stock	Par Value	Stock Certificate No(s).	Number of Shares	Percentage of Issued and Outstanding Shares of Class
<S>	<C>	<C>	<C>	<C>	<C>
1. SC Corporation	Common	$.01	C-16	868,365	100%
2. SC Corporation	Preferred	$100	P-9	22,491	100%

<CAPTION>

PLEDGED INDEBTEDNESS

Issuer of Indebtedness	Description of Indebtedness	Certificate No.	Final Maturity	Outstanding Principal Amount
<S>	<C>	<C>	<C>	<C>
SC Corporation	Subordinated Notes	9	11/22/02	$3,680,186

</TABLE>

Exhibit 10.11

EXECUTION COPY

GUARANTY

Dated November 23, 1994

From

WESTERN SCHOOLS, INC.

and

ROYAL ADVERTISING & MARKETING, INC.

in favor of

THE LENDERS PARTY TO THE CREDIT AGREEMENT
REFERRED TO HEREIN,

THE HEDGE BANKS REFERRED TO IN
THE CREDIT AGREEMENT

and

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

as Issuing Bank and Agent

T A B L E O F C O N T E N T S

<TABLE>
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Section Page

<S> <C>

</TABLE>

GUARANTY

GUARANTY dated November 23, 1994 made by Western Schools, Inc., a California corporation ("Western"), Royal Advertising & Marketing, Inc., a Massachusetts corporation ("Royal") (Western and Royal being, collectively, the "Guarantor") in favor of the Lenders (the "Lenders") party to the Credit Agreement (as hereinafter defined), the Hedge Banks (as defined in the Credit Agreement), and Banque Nationale de Paris, New York Branch ("BNP"), as the Issuing Bank and as Agent (the "Agent") under the Credit Agreement.

PRELIMINARY STATEMENT. The Lenders and the Agent are parties to a Credit Agreement dated as of November 23, 1994 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the capitalized terms defined therein and not otherwise defined herein being used herein as therein defined) with Wigs by Paula, Inc., a Massachusetts corporation and an Affiliate of the Guarantor (the "Borrower"). The Guarantor may receive a portion of the proceeds of Advances under the Credit Agreement and will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreement. It is a condition precedent to the making of Advances by the Lenders and the issuing of Letters of Credit by the Issuing Bank under the Credit Agreement, and the entering into of the Secured Hedge Agreements (as defined in the Security Agreement) by the Hedge Banks, that the Guarantor shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances, the Issuing Bank to issue Letters of Credit and the Hedge Banks to enter into the Secured Hedge Agreements, the Guarantor hereby agrees as follows:

SECTION 1. Guaranty. (a) The Guarantor hereby unconditionally guaranties the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the Borrower now or hereafter existing under the Loan Documents, whether for principal, interest, premiums, fees, expenses or otherwise (such Obligations of the Borrower being the "Guarantied Obligations"), and agrees to pay any and all reasonable expenses (including, without limitation, reasonable counsel fees and expenses) incurred by the Agent, any Lender, the Issuing Bank or any Hedge Bank in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts that constitute part of the Guarantied Obligations and that would be owed by the Borrower to the Agent, any Lender, the Issuing Bank or any Hedge Bank under any of the Loan Documents or any Secured Hedge Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

(b) The liability of the Guarantor under this Guaranty shall not exceed the greater of (i) 90% of the Adjusted Net Assets of the Guarantor on the date of delivery hereof and (ii) 90% of the Adjusted Net Assets of the Guarantor on the date of any payment hereunder. "Adjusted Net Assets" of the Guarantor at any date means the lesser of (x) the amount by which the fair value of the property of the Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities, but excluding liabilities under this Guaranty, of the Guarantor at such date and (y) the amount by which the present fair salable value of the assets of the Guarantor at such date exceeds the amount that will be required to pay the probable liability of the Guarantor on its debts, excluding debt in respect of this Guaranty, as they become absolute and matured.

SECTION 2. Guaranty Absolute. The Guarantor guaranties that the Guarantied Obligations will be paid strictly in accordance with the terms of the Loan Documents and the Secured Hedge Agreements, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank with respect thereto. The Obligations of the Guarantor under this Guaranty are independent of the Guarantied Obligations, and a separate action or

actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. The liability of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any and all of the following:

(a) any lack of validity or enforceability of any Loan Document or any Secured Hedge Agreement, or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guarantied Obligations, or any other amendment or waiver of or any consent to departure from any Loan Document or any Secured Hedge Agreement, including, without limitation, any increase in the Guarantied Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or nonperfection of any Collateral, or any taking, release, amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guarantied Obligations;

(d) any manner of application of Collateral, or proceeds thereof, to all or any of the Guarantied Obligations, or any manner of sale or other disposition of any

Collateral for all or any of the Guarantied Obligations or any other property and/or assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(f) any other circumstance (including, without limitation, any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, the Borrower, the Guarantor or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guarantied Obligations is rescinded or must otherwise be returned by the Agent, any Lender, the Issuing Bank or any Hedge Bank upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

SECTION 3. Waivers. (a) The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the

Guarantied Obligations and this Guaranty (except for notices specifically required by the Credit Agreement, this Guaranty or the other Loan Documents) and any requirement that the Agent, any Lender, the Issuing Bank or any Hedge Bank protect, secure, perfect or insure any Lien or any property and/or assets subject thereto or exhaust any right or take any action against the Borrower or any other Person or any Collateral.

(b) The Guarantor hereby irrevocably waives any duty on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to disclose to the Guarantor any matter, fact or thing relating to the business, operation or condition of the Borrower or its property and assets now or hereafter known by the Agent, such Lender, the Issuing Bank or such Hedge Bank.

(c) The Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Guaranty, any other Loan Document or any Secured Hedge Agreement, the transactions contemplated hereby or thereby or the actions of the Agent, any Lender, the Issuing Bank or any Hedge Bank in the negotiation, administration, performance or enforcement hereof or thereof.

(d) Upon making any payment with respect to the Borrower, the Guarantor shall be subrogated to the rights of the payee against the Borrower with respect to such payment; provided that the Guarantor shall not enforce or
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accept any payment by way of subrogation until the Termination Date and all amounts of principal of and interest on the

Notes and all other amounts payable by the Borrower and the Guarantors under the Loan Documents have been paid in full. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (i) the cash payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty and (ii) the Termination Date, such amount shall be held in trust for the benefit of the Agent, the Lenders, the Issuing Bank and the Hedge Banks and shall forthwith be paid to the Agent to be credited and applied to the Guarantied Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents and the Secured Hedge Agreements, or to be held by the Agent as Collateral for any Guarantied Obligations or other amounts payable under this Guaranty thereafter arising.

(e) The Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in this Section 3 are knowingly made in contemplation of such benefits.

SECTION 4. Payments Free and Clear of Taxes, Etc. (a) Any and all payments made by the Guarantor hereunder shall be made in accordance with Section 2.11 of the Credit Agreement, free and clear of and without deduction for any and all present or future Taxes. If the Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Agent, any Lender, the Issuing Bank or any Hedge Bank, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 4), the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Guarantor shall make such deductions and (iii) the Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Guarantor agrees to pay any present or future Other Taxes.

(c) The Guarantor agrees to indemnify the Agent, each Lender, the Issuing Bank and each Hedge Bank for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 4) paid by the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, and any liability (including penalties, additions to tax, interest and expenses (including, without limitation, reasonable fees and disbursements of counsel)) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Guarantor shall furnish to the Agent, at its address referred to in Section 8.02 of the Credit Agreement, the original receipt of payment thereof or a certified copy of such receipt if any receipt is issued therefor or, if no such receipt is issued, appropriate evidence of payment thereof. If no Taxes are payable in respect of any payment hereunder by the Guarantor through an account or branch outside the United States or on behalf of the Guarantor by a payor that is not a United States person, the Guarantor shall furnish, or shall cause such payor to furnish, to the Agent, at such address, a certificate from the appropriate taxing authority or authorities or an opinion of counsel acceptable to the Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Without prejudice to the survival of any other agreement of the Guarantor hereunder, the agreements and obligations of the Guarantor contained in this Section 4 shall survive the payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty.

SECTION 5. Representations and Warranties. The Guarantor hereby represents and warrants as follows:

(a) Each representation and warranty contained in Section 4.01 of the Credit Agreement is true and correct.

(b) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(c) The Guarantor has, independently and without reliance upon the Agent, the Issuing Bank, any Lender or any Hedge Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty.

SECTION 6. Affirmative Covenants. The Guarantor covenants and agrees that, so long as any part of the Guarantied Obligations shall remain unpaid, any Letter of Credit shall be outstanding, any Lender shall have any Commitment, or any Hedge Bank shall have any obligation under any Secured Hedge Agreement, the Guarantor will, unless the Required Lenders shall otherwise consent in writing, perform or observe all of the terms, covenants and agreements that the Loan Documents and Secured Hedge Agreements state that the Guarantor is to perform or observe.

SECTION 7. Amendments; No Waiver; Etc. (a) No amendment or waiver of any provision of this Guaranty, and no consent to any departure by the Guarantor

therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, the Required Lenders and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders and the Issuing Bank, change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder; and

provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, the Issuing Bank and the Hedge Banks, (i) limit the liability of the Guarantor hereunder, (ii) postpone any date fixed

for payment hereunder, (iii) release the Guarantor, or (iv) amend this Section 8.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8. Notices, Etc. All notices and other communications
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provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, (a) if to the Guarantor, addressed to it at the address set forth below the name of the Guarantor on the signature page hereof, (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank, addressed to it at its address set forth in Section 8.02 of the Credit Agreement or (c) as to any party at such other address as shall be designated by such party in a notice to each other party complying as to delivery with the terms of this Section 8. All such notices and other communications shall, when mailed, telecopied, telegraphed or telexed or delivered, be effective when deposited in the mails, transmitted by telecopier, delivered to the telegraph company or confirmed by telex answerback, respectively, addressed as aforesaid.

SECTION 9. Right of Setoff. Upon (a) the occurrence and during the
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continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 of the Credit Agreement to authorize the Agent to declare the Notes due and payable pursuant to the provisions of such Section 6.01, each Lender, each Hedge Bank and the Issuing Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender, such Hedge Bank or the Issuing Bank, as the case may be, to or for the credit or the account of the Guarantor against any and all of the Obligations of the Guarantor now or hereafter existing under this Guaranty, whether or not such Lender,

such Hedge Bank or the Issuing Bank shall have made any demand under this Guaranty and although such Obligations may be unmatured. Each Lender, each Hedge Bank and the Issuing Bank agrees to notify promptly the Guarantor after any such setoff and application; provided, however, that the failure to give
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such notice shall not affect the validity of such setoff and application. The

rights of each Lender, such Hedge Bank and the Issuing Bank under this Section 10 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender, such Hedge Bank and the Issuing Bank may have.

SECTION 10. Continuing Guaranty; Assignments Under the Credit Agreement. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the cash payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty, (ii) the Termination Date and (iii) the termination or expiration of all Secured Hedge Agreements, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of, and be enforceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement. If the Lenders, in their sole discretion, are satisfied with the terms and provisions of the Merger and the transactions contemplated thereby, including without limitation the terms of all guaranties, security agreements and other agreements entered into in connection therewith, the Lenders may terminate this Guaranty by giving notice in writing to the Guarantor.

SECTION 11. Governing Law; Submission to Jurisdiction, Etc. (a) This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably submits itself and its properties to the jurisdiction of any New York state court or United States federal court sitting in New York County, State of New York, for any action or proceeding arising out of or relating to this Guaranty or any other Loan Document or Secured Hedge Agreement to which it is a party, or for recognition and enforcement of any judgment in respect thereof, and the Guarantor hereby irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by law, in such United States federal court. The Guarantor hereby irrevocably waives, to the fullest extent it may legally and effectively do so, any objection or defense to venue in the State of

New York and to any such jurisdiction as an inconvenient forum for the maintenance of any such action or proceeding. Nothing herein shall affect the right of the Agent, the Issuing Bank, any Lender or any Hedge Bank to commence or participate in any action, suit or proceeding or otherwise to proceed against the Guarantor in any other jurisdiction.

(c) The Guarantor irrevocably consents to the service of any and all process in any such action, suit or proceeding by the mailing of copies of such process to the Guarantor at the address set forth below its name on the signature page hereof, or by any other method permitted by law. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(d) To the extent that the Guarantor has or hereafter may acquire immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Guarantor hereby irrevocably waives such immunity in respect of its Obligations under this Guaranty, any other Loan Document and any Secured Hedge Agreement to which it is a party.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered by its officer thereunto duly authorized as of the date first above written.

WESTERN SCHOOLS, INC.

By /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

ROYAL ADVERTISING & MARKETING, INC.

By /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

EXHIBIT 10.12

EXECUTION COPY

GUARANTY

Dated November 23, 1994

From

SC CORPORATION

in favor of

THE LENDERS PARTY TO THE CREDIT AGREEMENT
REFERRED TO HEREIN,

THE HEDGE BANKS REFERRED TO IN
THE CREDIT AGREEMENT

and

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

as Issuing Bank and Agent

T A B L E O F C O N T E N T S

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GUARANTY

GUARANTY dated November 23, 1994 made by SC Corporation (the "Guarantor") in favor of the Lenders (the "Lenders") party to the Credit Agreement (as hereinafter defined), the Hedge Banks (as defined in the Credit Agreement), and Banque Nationale de Paris, New York Branch ("BNP"), as the Issuing Bank and as Agent (the "Agent") under the Credit Agreement.

PRELIMINARY STATEMENT. The Lenders and the Agent are parties to a Credit Agreement dated as of November 23, 1994 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the capitalized terms defined therein and not otherwise defined herein being used herein as therein defined) with Wigs by Paula, Inc., a Massachusetts corporation and a wholly owned Subsidiary of the Guarantor (the "Borrower"). The Guarantor will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreement. It is a condition precedent to the making of Advances by the Lenders and the issuing of Letters of Credit by the Issuing Bank under the Credit Agreement, and the entering into of the Secured Hedge Agreements (as defined in the Security Agreement) by the Hedge Banks, that the Guarantor, as owner of all of the outstanding shares of capital stock of the Borrower, shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances, the Issuing Bank to issue Letters of Credit and the Hedge Banks to enter into the Secured Hedge Agreements, the Guarantor hereby

agrees as follows:

SECTION 1. Guaranty. (a) The Guarantor hereby unconditionally guaranties the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the Borrower now or hereafter existing under the Loan Documents, whether for principal, interest, premiums, fees, expenses or otherwise (such Obligations of the Borrower being the "Guarantied Obligations"), and agrees to pay any and all reasonable expenses (including, without limitation, reasonable counsel fees and expenses) incurred by the Agent, any Lender, the Issuing Bank or any Hedge Bank in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts that constitute part of the Guarantied Obligations and that would be owed by the Borrower to the Agent, any Lender, the Issuing Bank or any Hedge Bank under any of the Loan Documents or any Secured Hedge Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

(b) The liability of the Guarantor under this Guaranty shall not exceed the greater of (i) 90% of the Adjusted Net Assets of the Guarantor on the date of delivery hereof

and (ii) 90% of the Adjusted Net Assets of the Guarantor on the date of any payment hereunder. "Adjusted Net Assets" of the Guarantor at any date means the lesser of (x) the amount by which the fair value of the property of the Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities, but excluding liabilities under this Guaranty, of the Guarantor at such date and (y) the amount by which the present fair salable value of the assets of the Guarantor at such date exceeds the amount that will be required to pay the probable liability of the Guarantor on its debts, excluding debt in respect of this Guaranty, as they become absolute and matured.

SECTION 2. Guaranty Absolute. The Guarantor guaranties that the Guarantied Obligations will be paid strictly in accordance with the terms of the Loan Documents and the Secured Hedge Agreements, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank with respect thereto. The Obligations of the Guarantor under this Guaranty are independent of the Guarantied Obligations, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or

whether the Borrower is joined in any such action or actions. The liability of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any and all of the following:

(a) any lack of validity or enforceability of any Loan Document or any Secured Hedge Agreement, or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guarantied Obligations, or any other amendment or waiver of or any consent to departure from any Loan Document or any Secured Hedge Agreement, including, without limitation, any increase in the Guarantied Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or nonperfection of any Collateral, or any taking, release, amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guarantied Obligations;

(d) any manner of application of Collateral, or proceeds thereof, to all or any of the Guarantied Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Guarantied Obligations or any other property and/or assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(f) any other circumstance (including, without limitation, any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, the Borrower, the Guarantor or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guarantied Obligations is rescinded or must otherwise be returned by the Agent, any Lender, the Issuing Bank or any Hedge Bank upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

SECTION 3. Waivers. (a) The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guarantied Obligations and this Guaranty (except for notices specifically required by the Credit Agreement, this Guaranty or the other Loan Documents) and any requirement that the Agent, any Lender, or the Issuing Bank or any Hedge

Bank protect, secure, perfect or insure any Lien or any property and/or assets subject thereto or exhaust any right or take any action against the Borrower or any other Person or any Collateral.

(b) The Guarantor hereby irrevocably waives any duty on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to disclose to the Guarantor any matter, fact or thing relating to the business, operation or condition of the Borrower or its property and assets now or hereafter known by the Agent, such Lender the Issuing Bank or such Hedge Bank.

(c) The Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Guaranty, any other Loan Document or any Secured Hedge Agreement, the transactions contemplated hereby or thereby or the actions of the Agent, any Lender, the Issuing Bank or any Hedge Bank in the negotiation, administration, performance or enforcement hereof or thereof.

(d) Upon making any payment with respect to the Borrower, the Guarantor shall be subrogated to the rights of the payee against the Borrower with respect to such payment; provided that the Guarantor shall not enforce or
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accept any payment by way of subrogation until the Termination Date and all amounts of principal of and interest on the Notes and all other amounts payable by the Borrower and the Guarantors under the Loan Documents have been paid in full. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (i) the cash payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty and

(ii) the Termination Date, such amount shall be held in trust for the benefit of the Agent, the Lenders, the Issuing Bank and the Hedge Banks and shall forthwith be paid to the Agent to be credited and applied to the Guarantied Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents and the Secured Hedge Agreements, or to be held by the Agent as Collateral for any Guarantied Obligations or other amounts payable under this Guaranty thereafter arising.

(e) The Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in this Section 3 are knowingly made in contemplation of such benefits.

SECTION 4. Payments Free and Clear of Taxes, Etc. (a) Any and all
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payments made by the Guarantor hereunder shall be made in accordance with

Section 2.11 of the Credit Agreement, free and clear of and without deduction for any and all present or future Taxes. If the Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Agent, any Lender, the Issuing Bank or any Hedge Bank, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 4), the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Guarantor shall make such deductions and (iii) the Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Guarantor agrees to pay any present or future Other Taxes.

(c) The Guarantor agrees to indemnify the Agent, each Lender, the Issuing Bank and each Hedge Bank for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 4) paid by the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, and any liability (including penalties, additions to tax, interest and expenses (including, without limitation, reasonable fees and disbursements of counsel)) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Guarantor shall furnish to the Agent, at its address referred to in Section 8.02 of the Credit Agreement, the original receipt of payment thereof or a certified copy of such receipt if any receipt is issued therefor or, if no such receipt is issued, appropriate evidence of payment thereof. If no Taxes are payable in respect of any payment hereunder by the Guarantor through an

account or branch outside the United States or on behalf of the Guarantor by a payor that is not a United States person, the Guarantor shall furnish, or shall cause such payor to furnish, to the Agent, at such address, a certificate from the appropriate taxing authority or authorities or an opinion of counsel acceptable to the Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Without prejudice to the survival of any other agreement of the Guarantor hereunder, the agreements and obligations of the Guarantor contained in this Section 4 shall survive the payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty.

SECTION 5. Representations and Warranties. The Guarantor hereby

represents and warrants as follows:

(a) Each representation and warranty contained in Section 4.01 of the Credit Agreement is true and correct.

(b) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(c) The Guarantor has, independently and without reliance upon the Agent, the Issuing Bank, any Lender or any Hedge Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty.

SECTION 6. Affirmative Covenants. The Guarantor covenants and agrees that, so long as any part of the Guarantied Obligations shall remain unpaid, any Letter of Credit shall be outstanding, any Lender shall have any Commitment or any Hedge Bank shall have any obligation under any Secured Hedge Agreement, the Guarantor will, unless the Required Lenders shall otherwise consent in writing, (i) perform or observe all of the terms, covenants and agreements that the Loan Documents state it is to perform and observe, and (ii) cause the Borrower and each of its Subsidiaries to perform or observe all of the covenants and agreements that the Loan Documents state they are to perform or observe.

SECTION 7. Negative Covenants. The Guarantor covenants and agrees that, so long as any part of the Guarantied Obligations shall remain unpaid, any Letter of Credit shall be outstanding or any Lender shall have any Commitment or any Hedge Bank shall have any obligation under any Secured Hedge Agreement, the Guarantor will not, without the prior written consent of the Required Lenders, enter into or conduct any business, or engage in any activity (including, without limitation, any action or transaction that is required or restricted with respect to the Borrower and its Subsidiaries under Sections 5.01 and 5.02

of the Credit Agreement without regard to any of the enumerated exceptions to such covenants), other than:

(a) the holding of the capital stock of the Borrower and the discharging of certain administrative activities otherwise permitted by the Credit Agreement and making payments with respect to certain administrative services to the extent contemplated by the other Loan Documents and;

(b) the performance of its Obligations under each Loan Document to which it is a party; and

(c) such actions or activities that are necessary or advisable solely to consummate the Merger and the transactions contemplated in connection therewith.

SECTION 8. Amendments; No Waiver; Etc. (a) No amendment or waiver
of any provision of this Guaranty, and no consent to any departure by the Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, the Required Lenders and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders and the Issuing Bank, change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder; and

provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, the Issuing Bank and the Hedge Banks, (i) limit the liability of the Guarantor hereunder, (ii) postpone any date fixed for payment hereunder, (iii) release the Guarantor, or (iv) amend this Section 8.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, (a) if to the Guarantor, addressed to it at the address set forth below the name of the Guarantor on the signature page hereof, (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank, addressed to it at its address set forth in Section 8.02 of the Credit Agreement or (c) as to any party at such other address as shall be designated by such party in a notice to each other party complying as to

delivery with the terms of this Section 9. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed or delivered, be effective when deposited in the mails, transmitted by telecopier,

delivered to the telegraph company or confirmed by telex answerback, respectively, addressed as aforesaid.

SECTION 10. Right of Setoff. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 of the Credit Agreement to authorize the Agent to declare the Notes due and payable pursuant to the provisions of such Section 6.01, each Lender, each Hedge Bank and the Issuing Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender, such Hedge Bank or the Issuing Bank, as the case may be, to or for the credit or the account of the Guarantor against any and all of the Obligations of the Guarantor now or hereafter existing under this Guaranty, whether or not such Lender, such Hedge Bank or the Issuing Bank shall have made any demand under this Guaranty and although such Obligations may be unmatured. Each Lender, each Hedge Bank and the Issuing Bank agrees to notify promptly the Guarantor after any such setoff and application;

provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender, such Hedge Bank and the Issuing Bank under this Section 10 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender, such Hedge Bank and the Issuing Bank may have.

SECTION 11. Continuing Guaranty; Assignments Under the Credit Agreement. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the cash payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty, (ii) the Termination Date and (iii) the termination or expiration of all Secured Hedge Agreements, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of, and be enforceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement. If the Lenders, in their sole discretion, are satisfied with the terms and provisions of the Merger and the transactions contemplated thereby, including without limitation the terms of all guaranties, security agreements and other agreements entered into in connection therewith, the Lenders may terminate this Guaranty by giving notice in writing to the Guarantor.

SECTION 12. Governing Law; Submission to Jurisdiction, Etc. (a) This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably submits itself and its properties to the jurisdiction of any New York state court or United States federal court sitting in New York County, State of New York, for any action or proceeding arising out of or relating to this Guaranty or any other Loan Document or Secured Hedge Agreement to which it is a party, or for recognition and enforcement of any judgment in respect thereof, and the Guarantor hereby irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by law, in such United States federal court. The Guarantor hereby irrevocably waives, to the fullest extent it may legally and effectively do so, any objection or defense to venue in the State of New York and to any such jurisdiction as an inconvenient forum for the maintenance of any such action or proceeding. Nothing herein shall affect the right of the Agent, the Issuing Bank, any Lender or any Hedge Bank to commence or participate in any action, suit or proceeding or otherwise to proceed against the Guarantor in any other jurisdiction.

(c) The Guarantor irrevocably consents to the service of any and all process in any such action, suit or proceeding by the mailing of copies of such process to the Guarantor at the address set forth below its name on the signature page hereof, or by any other method permitted by law. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(d) To the extent that the Guarantor has or hereafter may acquire immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Guarantor hereby irrevocably waives such immunity in respect of its Obligations under this Guaranty, any other Loan Document and any Secured Hedge Agreement to which it is a party.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered by its officer thereunto duly authorized as of the date first above written.

SC CORPORATION

By /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO
Six Landmark Square
4th Floor
Stamford, CT 06901-2792

EXHIBIT 10.13

EXECUTION COPY

GUARANTY

Dated November 30,1994

From

SPECIALTY CATALOG CORP.

and

SC HOLDINGS L.L.C.

in favor of

THE LENDERS PARTY TO THE CREDIT AGREEMENT
REFERRED TO HEREIN,

THE HEDGE BANKS REFERRED TO IN
THE CREDIT AGREEMENT

and

BANQUE NATIONALE DE PARIS,
NEW YORK BRANCH,

as Issuing Bank and Agent

T A B L E O F C O N T E N T S

GUARANTY

GUARANTY dated November 30, 1994 made by SPECIALTY CATALOG CORP., a Delaware corporation ("Specialty") and SC HOLDINGS L.L.C., a Delaware Limited Liability Company ("SC") (Specialty and SC being, collectively, the "Guarantors") in favor of the Lenders (the "Lenders") party to the Credit Agreement (as hereinafter defined), the Hedge Banks (as defined in the Credit Agreement), and Banque Nationale de Paris, New York Branch, as the Issuing Bank and as Agent (the "Agent") under the Credit Agreement.

PRELIMINARY STATEMENT. The Lenders and the Agent are parties to a Credit Agreement dated as of November 23, 1994 (said Agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Credit Agreement", the capitalized terms defined therein and not otherwise defined herein being used herein as therein defined) with Wigs by Paula, Inc., a Massachusetts corporation (the "Borrower"). Pursuant to the Merger dated as of the date hereof, the Borrower will merge with and into SC Corporation, with SC Corporation being the surviving corporation (the "Surviving Corporation"). In connection with the Merger, each shareholder of the Surviving Corporation will contribute such shareholder's shares of the capital stock of the Surviving Corporation for an equivalent percentage interest in the capital stock of Specialty Catalog Corp. The Guarantors may receive a portion of the proceeds of Advances under the Credit Agreement and will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreement. It is a condition to the continued making of Advances by the Lenders and the issuing of Letters of Credit by the Issuing Bank under the Credit Agreement, and the entering into of the Secured Hedge Agreements (as defined in the Security Agreement) by the Hedge Banks, that the Guarantors shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances, the Issuing Bank to issue Letters of Credit and the Hedge Banks to enter into the Secured Hedge Agreements, the Guarantors hereby agree as follows:

SECTION 1. Guaranty. (a) Each Guarantor hereby jointly and severally and unconditionally guaranties the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of the Borrower now or hereafter existing under the Loan Documents, whether for principal, interest, premiums, fees, expenses or otherwise (such Obligations of the Borrower being the"Guarantied Obligations"), and agrees to pay any and all reasonable expenses (including, without limitation, reasonable counsel fees and expenses) incurred by the Agent, any Lender, the Issuing Bank or any Hedge Bank in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing,

each Guarantor's liability shall extend to all amounts that constitute part of the Guarantied Obligations and that would be owed by the Borrower to the Agent, any Lender, the Issuing Bank or any Hedge Bank under any of the Loan Documents or any Secured Hedge

Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

(b) The liability of each Guarantor under this Guaranty shall not exceed the greater of (i) 90% of the Adjusted Net Assets of such Guarantor on the date of delivery hereof and (ii) 90% of the Adjusted Net Assets of such Guarantor on the date of any payment hereunder. "Adjusted Net Assets" of any Guarantor at any date means the lesser of (x) the amount by which the fair value of the property of such Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities, but excluding liabilities under this Guaranty, of such Guarantor at such date and (y) the amount by which the present fair salable value of the assets of such Guarantor at such date exceeds the amount that will be required to pay the probable liability of such Guarantor on its debts, excluding debt in respect of this Guaranty, as they become absolute and matured.

SECTION 2. Guaranty Absolute. Each Guarantor guaranties that the Guarantied Obligations will be paid strictly in accordance with the terms of the Loan Documents and the Secured Hedge Agreements, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent, any Lender, the Issuing Bank or any Hedge Bank with respect thereto. The Obligations of each Guarantor under this Guaranty are independent of the Guarantied Obligations, and a separate action or actions may be brought and prosecuted against either Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any and all of the following:

(a) any lack of validity or enforceability of any Loan Document or any Secured Hedge Agreement, or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guarantied Obligations, or any other amendment or waiver of or any consent to departure from any Loan Document or any Secured Hedge Agreement, including, without limitation, any increase in the Guarantied Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or nonperfection of any Collateral, or any

taking, release, amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guarantied Obligations;

(d) any manner of application of Collateral, or proceeds thereof, to all or any of the Guarantied Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Guarantied Obligations or any other property and/or assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(f) any other circumstance (including, without limitation, any statue of limitations) that might otherwise constitute a defense available to, or a discharge of, the Borrower, any Guarantor or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be,if at any time any payment of any of the Guarantied Obligations is rescinded or must otherwise be returned by the Agent, any Lender, the Issuing Bank or any Hedge Bank upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

SECTION 3. Waivers. (a) Each Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guarantied Obligations and this Guaranty (except for notices specifically required by the Credit Agreement, this Guaranty or the other Loan Documents) and any requirement that the Agent, any Lender, the Issuing Bank or any Hedge Bank protect, secure, perfect or insure any Lien or any property and/or assets subject thereto or exhaust any right or take any action against the Borrower or any other Person or any Collateral.

(b) Each Guarantor hereby irrevocably waives any duty on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to disclose to such Guarantor any matter, fact or thing relating to the business, operation or condition of the Borrower or its property and assets now or hereafter known by the Agent, such Lender, the Issuing Bank or such Hedge Bank.

(c) Each Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Guaranty, any other Loan Document or any Secured Hedge Agreement, the transactions contemplated hereby or thereby or the actions of the Agent, any Lender, the Issuing Bank or any Hedge Bank in the negotiation,administration, performance, or enforcement hereof or thereof.

(d) Upon making any pay payment with respect to the Borrower, the applicable Guarantor shall be subrogated to the rights of the payee against the Borrower with respect to such payment; provided that such Guarantor shall not enforce or

accept any payment by way

of subrogation until the Termination Date and all amounts of principal of and interest on the Notes and all other amounts payable by the Borrower and such Guarantors under the Loan Documents have been paid in full. If any amount shall be paid to each Guarantor in violation of the immediately preceding sentence at any time prior to the later of (i) the cash payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty and (ii) the Termination Date, such amount shall be held in trust for the benefit of the Agent, the Lenders, the Issuing Bank and the Hedge Banks and shall forthwith be paid to the Agent to be credited and applied to the Guarantied Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents and the Secured Hedge Agreements, or to be held by the Agent as Collateral for any Guarantied Obligations or other amounts payable under this Guaranty thereafter arising.

(e) Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in this Section 3 are knowingly made in contemplation of such benefits.

SECTION 4. Payments Free and Clear of Taxes. Etc. (a) Any and all payments made by the Guarantors hereunder shall be made in accordance with Section 2.11 of the Credit Agreement, free and clear of and without deduction for any and all present or future Taxes. If any Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Agent, any Lender, the Issuing Bank or any Hedge Bank, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions(including deductions applicable to additional sums payable under this Section 4), the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Guarantors agree to pay any present or future Other Taxes.

(c) Each Guarantor jointly and severally agrees to indemnify the Agent, each Lender, the Issuing Bank and each Hedge Bank for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 4) paid by the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, and any liability(including penalties, additions to tax, interest and expenses (including, without limitation, reasonable fees and disbursements of counsel)) arising therefrom or with respect thereto, provided, however, that neither

Guarantor shall be liable for such indemnification to the extent that the Borrower would not be liable under Section 2.12(c) of the Credit Agreement by reason of Section 2.12(f). This

indemnification shall be made within 30 days from the date the Agent, such Lender, the Issuing Bank or such Hedge Bank, as the case may be, makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the applicable Guarantor shall furnish to the Agent, at its address referred to in Section 8.02 of the Credit Agreement, the original receipt of payment thereof or a certified copy of such receipt if any receipt is issued therefor or, if no such receipt is issued, appropriate evidence of payment thereof. If no Taxes are payable in respect of any payment hereunder by such Guarantor through an account or branch outside the United States or on behalf of such Guarantor by a payor that is not a United States person, such Guarantor shall furnish, or shall cause such payor to furnish, to the Agent, at such address, a certificate from the appropriate taxing authority or authorities or an opinion of counsel acceptable to the Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Without prejudice to the survival of any other agreement of the Guarantors hereunder, the agreements and obligations of each Guarantor contained in this Section 4 shall survive the payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty.

SECTION 5. Representations and Warranties. The Guarantors hereby represent and warrant as follows:

(a) Each representation and warranty contained in Section 4.01 of the Credit Agreement is true and correct.

(b) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(c) Such Guarantor has, independently and without reliance upon the Agent, the Issuing Bank, any Lender or any Hedge Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty.

SECTION 6. Affirmative Covenants. Each Guarantor covenants and agrees that, so long as any part of the Guarantied Obligations shall remain unpaid, any Letter of Credit shall be outstanding, any Lender shall have any Commitment, or any Hedge Bank shall have any obligation under any Secured Hedge Agreement, such Guarantor will, unless the Required Lenders shall otherwise consent in writing, perform or observe all of the terms, covenants and agreements that the

Loan Documents and Secured Hedge Agreements state that such Guarantor is to perform or observe.

SECTION 7. Amendments: No Waiver: Etc. (a) No amendment or waiver of any provision of this Guaranty, and no consent to any departure by such Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, the Required Lenders and the Guarantors, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders and the Issuing Bank, change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder; and provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, the Issuing Bank and the Hedge Banks, (i) limit the liability of any Guarantor hereunder, (ii) postpone any date fixed for payment hereunder, (iii)release any Guarantor, or (iv) amend this Section 8.

(b) No failure on the part of the Agent, any Lender, the Issuing Bank or any Hedge Bank to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof or consent thereto; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8. Notices. Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telecommunication) and mailed, telecopied, telegraphed, telexed or delivered, (a) if to any Guarantor, addressed to it at the address set forth below the name of such Guarantor on the signature page hereof, (b) if to the Agent, any Lender, the Issuing Bank or any Hedge Bank, addressed to it at its address set forth in Section 8.02 of the Credit Agreement or (c) as to any party at such other address as shall be designated by such party in a notice to each other party complying as to delivery with the terms of this Section 8. All such notices and other communications shall,when mailed, telecopied, telegraphed or telexed or delivered, be effective when deposited in the mails, transmitted by telecopier, delivered to the telegraph company or confirmed by telex answer back, respectively, addressed as aforesaid.

SECTION 9. Right of Setoff. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 of the Credit Agreement to authorize the Agent to declare the Notes due and payable pursuant to the provisions of such Section 6.01, each Lender, each Hedge Bank and the Issuing Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or

special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender, such Hedge Bank or the Issuing Bank, as the case may be, to or for the credit or the account of any Guarantor against any and all of the Obligations of

such Guarantor now or hereafter existing under this Guaranty, whether or not such Lender, such Hedge Bank or the Issuing Bank shall have made any demand under this Guaranty and although such Obligations may be unmatured. Each Lender, each Hedge Bank and the Issuing Bank agrees to notify promptly such Guarantor after any such setoff and application; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender, such Hedge Bank and the Issuing Bank under this Section 10 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender, such Hedge Bank and the Issuing Bank may have.

SECTION 10. Continuing Guaranty: Assignments Under the Credit Agreement. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the cash payment in full of the Guarantied Obligations and all other amounts payable under this Guaranty, (ii) the Termination Date and (iii) the termination or expiration of all Secured Hedge Agreements, (b) be binding upon each Guarantor, its successors and assigns and (c) inure to the benefit of, and been forceable by, the Agent, the Lenders, the Issuing Bank, the Hedge Banks and the irrespective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment or Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person and such other Persons shall thereupon become vested with all the benefits in respect thereafter granted to such Lender herein or otherwise, in each case as provided in Section 8.07 of the Credit Agreement.

SECTION 11. Governing Law: Submission to Jurisdiction. Etc. (a) This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each Guarantor hereby irrevocably submits itself and its properties to the jurisdiction of any New York state court or United States federal court sitting in New York County, State of New York, for any action or proceeding arising out of or relating to this Guaranty or any other Loan Document or Secured Hedge Agreement to which it is a party, or for recognition and enforcement of any judgment in respect thereof, and such Guarantor hereby irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by law, in such United States federal court. Each Guarantor hereby

irrevocably waives, to the fullest extent it may legally and effectively do so, any objection or defense to venue in the State of New York and to any such jurisdiction as an inconvenient forum for the maintenance of any such action or proceeding. Nothing herein shall affect the right of the Agent, the Issuing Bank, any Lender or any Hedge Bank to commence or participate in any action, suit or proceeding or otherwise to proceed against any Guarantor in any other jurisdiction.

(c) Each Guarantor irrevocably consents to the service of any and all process in any such action, suit or proceeding by the mailing of copies of such process to such Guarantor at the address set forth below its name on the signature page hereof, or by any other method permitted by law. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(d) To the extent that any Guarantor has or hereafter may acquire immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Guarantor hereby irrevocably waives such immunity in respect of its Obligations under this Guaranty, any other Loan Document and any Secured Hedge Agreement to which it is a party.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed and delivered by its officer thereunto duly authorized as of the date first above written.

SPECIALTY CATALOG CORP.

Six Landmark Square
4th Floor
Stamford, CT 06901

By /s/ Steven L. Bock

Name: Steven L. Bock
Title: CEO

Six Landmark Square
4th Floor
Stamford, CT 06901

SC HOLDINGS L.L.C.

By DICKSTEIN INTERNATIONAL LIMITED

By DICKSTEIN PARTNERS INC., its Agent

By

Name:
Title:

(c) Each Guarantor irrevocably consents to the service of any and all process in any such action, suit or proceeding by the mailing of copies of such process to such Guarantor at the address set forth below its name on the signature page hereof, or by any other method permitted by law. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(d) To the extent that any Guarantor has or hereafter may acquire immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Guarantor hereby irrevocably waives such immunity in respect of its Obligations under this Guaranty, any other Loan Document and any Secured Hedge Agreement to which it is a party.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed and delivered by its officer thereunto duly authorized as of the date first above written.

SPECIALTY CATALOG CORP.

Six Landmark Square
4th Floor
Stamford, CT 06901

By

Name:
Title:

Six Landmark Square
4th Floor
Stamford, CT 06901

SC HOLDINGS L.L.C.

By DICKSTEIN INTERNATIONAL LIMITED

By DICKSTEIN PARTNERS INC., its Agent

By /s/ Alan Cooper

Name: Alan Cooper
Title: Vice President

EXHIBIT 10.14

[LOGO OF SC DIRECT, INC.]

June 1, 1996

Mr. Martin Franklin
Suite B302
555 Theodore Fremd Ave
Rye, NY 10580

Dear Martin:

This will confirm the agreement among you, SC DIRECT, INC. ("SCD") and SPECIALTY CATALOG CORP. ("SCC") (together, the "Companies"), regarding the purchase by you of Junior Subordinated Debt issued by SCD and a Warrant issued by SCC. SCD is a wholly-owned subsidiary of SCC.

It is understood and agreed that you will purchase the Junior Subordinated Debt (as defined below) at the same time that the Companies and Banque Nationale de Paris ("BNP") agree on revised covenants under the Credit Agreement dated as of November 23, 1994 between BNP and the Companies.

1. You will loan $495,000 to SCD in exchange for $495,000 principal amount of Junior Subordinated Debt (the "Junior Subordinated Debt").

2. The Junior Subordinated Debt will be junior in priority to the outstanding principal and interest on the Subordinated Debt (the "Senior Subordinated Debt"), issued by SCD to SC Holdings, LLC in November, 1994.

3. The Junior Subordinated Debt will accrue interest from the date of issuance at the same rate, and subject to the same restrictions and conditions, as the Senior Subordinated Debt, but will remain junior in priority to the Senior Subordinated Debt.

4. The Junior Subordinated Debt will mature on the third anniversary following the date of its issuance, and will be prepayable by SCD, in whole or in part, without penalty, at any time; provided, however, that in the event the Senior Subordinated Debt has not been repaid in full on or prior to the maturity date of the Junior Subordinated Debt, then the maturity date of the Junior Subordinated Debt will be automatically extended until the date which is one business day following the repayment in full of the Senior Subordinated Debt.

5. In consideration of your purchasing the Junior Subordinated Debt, SCC will issue to you (at such time when you purchase the Junior Subordinated Debt) for $5,000 a warrant (the "Warrant") to purchase 815.12 shares of Class A Common Stock of SCC (the "Warrant Shares"), which is equal to 7.22% of the currently outstanding Common Stock of SCC on a fully-diluted basis, assuming conversion of all outstanding options currently held by Steven L. Bock and Stephen M. O'Hara. The aggregate exercise price for the Warrant Shares will be $500,000 ($613.41 per share). The number of shares of Common Stock into which the Warrant will be exercisable, and the exercise price therefor, will be adjusted for stock splits. The Warrant will be exercisable during the period commencing upon the closing of a public offering of the shares of SCD or SCC and ending on the third anniversary following the closing of such offering; provided, however, that (i) in no event will the Warrant be exercisable after September 30, 1999 and (ii) the Warrant will be exercisable upon a sale of SCD or SCC even if no public offering of the shares of SCD or SCC has occurred prior to such sale. The Warrant will not be exercisable under any other circumstances, and will expire if the Companies (or either of them) is not publicly traded on or prior to June 30, 1999.

6. The Junior Subordinated Debt will be subordinated to BNP on the same basis as the Senior Subordinated Debt.

If you are in agreement with the above terms and conditions, please sign the enclosed copy of this letter.

Very truly yours,

SC Direct, Inc.

By /s/ Steven L. Bock

Steven L. Bock

Specialty Catalog Corp.

By

Agreed to:

/s/ Martin Franklin

Martin Franklin

UNANIMOUS WRITTEN CONSENT OF
THE BOARDS OF DIRECTORS OF

SPECIALTY CATALOG CORP. AND SC CORPORATION

The undersigned, being all of the Directors of Specialty Catalog Corp., a Delaware corporation ("SCC"), and SC Corporation, a Delaware corporation doing business as SC Direct, Inc. in Massachusetts ("SC Direct") (SCC and SC Direct together, the "Companies"), pursuant to Section 141(f) of the General Corporation Law of the State of Delaware, hereby adopt, approve and consent to the following resolution, with the same force and effect as though adopted at a meeting duly called and held.

WHEREAS, Banque National de Paris ("BNP") has requested that an additional $500,000 be invested in SC Direct in order to facilitate revisions to the covenants under the Credit Agreement dated as of November 23, 1994 between BNP and the Companies (the "Credit Agreement"); and

WHEREAS, Martin Franklin has agreed to purchase $495,000 principal amount of Junior Subordinated Debt (the "Junior Subordinated Debt") of SC Direct; and

WHEREAS, in consideration of Mr. Franklin's purchasing the Junior Subordinated Debt, SCC has agreed to issue to Mr. Franklin a Warrant to purchase shares of Class A Common Stock of SCC; and

WHEREAS, the Boards determined that the Junior Subordinated Debt could not be raised by SC Direct on the above-mentioned terms without SCC issuing the Warrant, and that the exercise price of the Warrant was determined by arms length negotiation between Mr. Franklin and SCC and reflects, in the view of the Boards, a premium to the fair market value as of the date hereof of the Common Stock of SCC, taking into account the current earnings of the Companies, the recent performance of consumer catalog businesses, and prevailing multiples for the equity of privately-held companies the size of the Companies (the last sale of Common Stock by SCC being made in November, 1994 at a price of $100.00 per share);

NOW, THEREFORE, BE IT

RESOLVED, that the Companies enter into the Agreement with Martin Franklin with respect to the Junior Subordinated Debt and Warrant, substantially in the form attached hereto as Exhibit A; and that Steven L. Bock is hereby authorized on behalf of the Companies to execute and deliver the Agreement on behalf of the Companies, and to take all such further actions he may deem necessary or desirable in order to implement the terms of the Agreement.

IN WITNESS WHEREOF, the undersigned have duly executed this Consent as of the 1st day of June, 1996.

Steven L. Bock

Alan Cooper

Martin Franklin

Samuel Katz

Guy Naggar

Exhibit 10.15

DEBTOR SECURITIES PURCHASE AGREEMENT, dated as of November 23, 1994 among SC Corporation, a Delaware corporation, Western Schools, Inc., a California corporation, Wigs by Paula, Inc., a Massachusetts corporation, Dickstein & Co., L.P., Dickstein International Limited, Viking Holdings Limited, Steven L. Bock, Bruce G. Pollack and Wigs, L.P.

WHEREAS, the Companies are currently debtors and debtors-in-possession in chapter 11 cases under title 11 of the United States Code pending in the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division; and

WHEREAS, the Bankruptcy Court has confirmed the Plan, which provides for, among other things, the restructuring of certain of the Companies' indebtedness and the issuance of certain securities by the Issuer; and

WHEREAS, the Plan contemplates that one or more of the Investors will purchase certain securities of the Issuer from certain creditors of the Companies, and, pursuant thereto, one or more of the Investors is entering into that certain Signal Securities Purchase Agreement and that certain Noteholder Securities Purchase Agreement, each dated as of the date hereof (collectively, the "Other Securities Purchase Agreements"); and

WHEREAS, the Plan contemplates that the Purchasers will purchase, and that Viking Holdings Limited will exchange its participation interest in the Signal Claims (as defined in the Plan) for certain securities of the Issuer from the Issuer, and the Issuer and the Purchasers desire to contract for the purchase and sale of such securities and for the other transactions contemplated by this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Definitions. As used in this Agreement, and unless the context clearly requires a different meaning, the following terms have the meanings indicated:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

"Affiliate" of any specified Person means any other Person directly or

indirectly controlling or controlled by or under direct or indirect common control with such specified Person, including any investment fund directly or indirectly managed by such Person or any of its Affiliates. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract

or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Agreement, as the same may be amended, supplemented or modified in accordance with the terms hereof.

"Bankruptcy Code" means title 11 of the United States Code, as amended.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division.

"Basic Agreements" means, collectively, this Agreement, the New Financing Facility and the Securities, and all other instruments, agreements and written contractual obligations executed pursuant to or in connection with such agreements and documents.

"Certificates" means certificates or other instruments evidencing the shares of Common Stock or Preferred Stock being purchased hereby.

"Common Stock" means the common stock of SC Corporation, $.01 par value, authorized by the certificate of incorporation of SC Corporation, as amended on the date hereof pursuant to the Plan.

"Companies" means SC Corporation, a Delaware corporation, Western Schools, Inc., a California corporation, and Wigs by Paula, Inc., a Massachusetts corporation.

"Dickstein" means Dickstein & Co., L.P. and Dickstein International Limited.

"Exchange" means the exchange by Viking of its participation interest in the Signal Claims (as defined in the Plan) for Securities under this Agreement.

"Issuer" means SC Corporation, a Delaware corporation.

"New Financing Facility" means the credit agreement and related documents
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entered into as of the date hereof, among the Companies and Banque Nationale de Paris.

"Plan" means the Joint Plan of Reorganization of SC Corporation, Western
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Schools, Inc. and Wigs by Paula, Inc. dated as of September 21, 1994, as amended by the Bankruptcy Court on October 26, 1994.

"Preferred Stock" means the preferred stock of SC Corporation, authorized
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by the certificate of incorporation of SC Corporation, as amended on the date hereof pursuant to the Plan.

"Purchaser" means each Person executing the signature page hereof (other
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than the Companies) and any successor or assignee of such Person permitted under Section 5.6 hereof.

"Securities" means the Subordinated Notes, the Preferred Stock and the
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Common Stock purchased by the Purchasers pursuant to Section 2.1 of this Agreement.

"Subordinated Notes" means the subordinated notes of SC Corporation issued
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pursuant to the Plan and this Agreement.

"Subsidiaries" means Western Schools, Inc., Wigs by Paula, Inc., Brotman
----
Acquisition Corp. and After the Stork, Inc.

"Viking" means Viking Holdings Limited, a British Virgin Islands
------
corporation.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan.

ARTICLE II

PURCHASE OF SECURITIES

SECTION 2.1. Purchase of Securities. Subject to the terms and conditions herein set forth, the Issuer hereby sells to the Purchasers, and each Purchaser hereby purchases the respective amounts of Securities for the respective purchase prices (and, in the case of Viking, in exchange for the Exchange) set forth on Exhibit A hereto.

Delivery of the Securities shall be made on the date hereof by the Issuer delivering to the Purchasers, against payment of the purchase price therefor (and, with respect to Viking, the Exchange), Certificates for such Securities, registered in the name of the respective Purchasers. The Purchasers acknowledge and agree that each Certificate shall be legended to reflect the applicability of Federal and states securities laws limitations on the transfer of the Securities.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANIES

The Companies hereby jointly and severally represent and warrant to the Purchasers and Dickstein that:

SECTION 3.1. Corporate Existence and Power. Each Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified to do business as a foreign corporation in each additional jurisdiction where the failure to so qualify would have a material adverse

effect on the assets, financial condition or business of the Companies or any one of them. Each Company has all requisite power (corporate and otherwise) to own its properties and to carry on its business as now being conducted and as proposed to be conducted, and to execute, deliver and perform its obligations under each Basic Agreement to which it is a party and to engage in the respective transactions contemplated hereby and thereby.

SECTION 3.2. Subsidiaries. Except as set forth on Schedule 3.2 hereto, as of the date hereof, (i) none of the Subsidiaries has any equity interest (direct or indirect) in any Person, (ii) the Issuer does not have any equity interest (direct or indirect) in any Person other than the Subsidiaries, (iii) all outstanding shares of capital stock of each Subsidiary have been duly and validly issued and are fully paid and non-assessable, (iv) the Issuer owns all of the issued and outstanding capital stock of each Subsidiary and has good title to all of such shares free and clear in each case of any lien, claim, charge or encumbrance (other than liens, claims, charges or encumbrances created by the New Financing Facility), and (v) neither any issued and outstanding

shares, nor any unissued or treasury shares, of capital stock of any Subsidiary is subject to any option, warrant, right to call, preemptive right, repurchase, put obligation or commitment of any kind or character.

SECTION 3.3. Corporate Authority. The execution, delivery and performance by each Company of each Basic Agreement to which such Company is a party have been duly authorized by all necessary corporate action on the part of such Company.

SECTION 3.4. Binding Effect. Each Basic Agreement is the legal, valid and binding obligation of each Company that is a party thereto.

SECTION 3.5. No Required Consents, etc. Other than the entry of an order by the Bankruptcy Court confirming the Plan, which order has been entered, is final and non-appealable and remains in full force and effect, no consent, approval or authorization of or declaration, registration or filing with any governmental body, office or agency or any nongovernmental Person, including, without limitation, any creditor or shareholder of any of the Companies, is required to be obtained or made by any of the Companies in connection with the execution, delivery and performance of the Basic Agreements or the transactions contemplated hereby or thereby or as a condition to the legality, validity or enforceability of the Basic Agreements.

SECTION 3.6. No Conflicting Agreements, etc. Neither the execution and delivery of the Basic Agreements nor the fulfillment of or compliance with the terms and provisions hereof or thereof, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute (or with notice or lapse of time would constitute) a default under, or result in any violation of, any contract, agreement, mortgage, indenture, lease, instrument, order, statute, law, rule or regulation to which the Issuer or any of the Subsidiaries is subject, or result in the creation of any lien, claim, charge or encumbrance on any properties or assets of the Issuer or any of the Subsidiaries (other than liens, claims, charges or encumbrances created by the New Financing Facility).

SECTION 3.7. Litigation; No Violation of Government Orders or Laws. No action, suit or proceeding is pending or, to the Companies' best knowledge, threatened, nor is there any investigation pending or, to the Companies' best knowledge, threatened, against or affecting the Issuer or any of the Subsidiaries which seeks to enjoin, or otherwise prevent the consummation of, any of the transactions contemplated by the Basic Agreements or to recover any damages or obtain any relief as a result of any of the transactions contemplated hereby in any court or before any arbitrator of any kind or before or by any governmental body, office or agency.

SECTION 3.8. Capitalization. The Issuer's entire authorized capital stock consists of 870,000 shares of Common Stock and 22,500 shares of Preferred Stock. There are no outstanding options, warrants, rights to subscribe to, calls or commitments relating to, or securities or rights convertible into, shares of capital stock of the Issuer, or contracts, commitments or arrangements obligating the Issuer to issue additional shares of its capital stock or options, warrants or rights to purchase or acquire any shares of its capital stock.

SECTION 3.9. Capital Stock. All shares of the Issuer's capital stock have been validly authorized and duly issued and are fully paid and non-assessable. None of the Issuer or any of the Subsidiaries is required to file, or has filed, pursuant to Section 12 of the Exchange Act, any registration statement relating to any class of its debt or equity securities.

SECTION 3.10. Termination of Prior Shareholders and Governance Agreements. Prior to or concurrent with the execution and delivery of this Agreement, any and all existing agreements, oral or written, pertaining to governance of the Issuer and/or the Subsidiaries and/or the voting or transfer of capital stock of the Issuer and/or the Subsidiaries have been terminated and are no longer in effect.

SECTION 3.11. Disclosure. The representations and warranties of the Companies contained in the New Financing Facility are true and correct as of the date hereof. None of the representations, warranties and other statements of the Companies contained in the Disclosure Statement, the Plan, the Basic Agreements or any of the certificates or other documents delivered to any of the Purchasers or Dickstein pursuant to the terms hereof or thereof has contained any untrue statement of a material fact or has omitted to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which and the time at which they were made, not misleading. None of the Companies has withheld any fact from the Purchasers or Dickstein in regard to any matter which will have or is reasonably likely to have a material adverse effect on the condition (financial or otherwise), business, performance, properties, operations, assets or prospects of the Issuer or the Subsidiaries or the ability of the Companies to perform their obligations under the Basic Agreements.

SECTION 3.12. Financial Statements. Except as may have been disclosed in the Disclosure Statement, since December 31, 1993, there has not been any material adverse change in the condition (financial or otherwise) or results of operations of the Issuer and the Subsidiaries taken as a whole. The audited financial statements of each of Wigs and Western prepared by Deloitte & Touche and delivered to the Purchasers and Dickstein have been

prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present its respective financial position as at the date thereof and the results of its respective operations and cash flows for the periods then ended. The unaudited financial statements provided to the Purchasers and/or Dickstein fairly present the financial condition of the Companies and are presented in conformity with all of the other unaudited financial statements historically prepared by the Companies.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASERS

Each Purchaser hereby severally represents and warrants to the Companies that, as to itself:

SECTION 4.1. Organization, Existence, Qualification and Authority of Purchaser. In the case of a Purchaser that is not a natural person, (i) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has the power and authority to enter into each Basic Agreement to which it is a party and perform its obligations hereunder and thereunder, and (ii) the execution, delivery and performance of each Basic Agreement to which such Purchaser is a party has been duly and validly authorized by all requisite action on behalf of such Purchaser. Each Basic Agreement to which such Purchaser is a party is legal, valid and binding upon such Purchaser and enforceable against such Purchaser in accordance with its terms, except as limited by (x) bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally; and (y) the effect of general principles of equity (whether considered in a proceeding at law or in equity).

SECTION 4.2. No Breach or Default. The execution, delivery and performance of each Basic Agreement to which such Purchaser is a party and the consummation of the sale of the Securities to such Purchaser as contemplated by this Agreement do not and will not: (i) if such Purchaser is not a natural person, contravene such Purchaser's constitutive documents, if any; (ii) violate any law or regulation applicable to such Purchaser; (iii) result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, lease or sublease, or other material agreement or material instrument to which such Purchaser is a party or by which such Purchaser or any of its properties is bound; or (iv) require the consent or approval of, or any filing with, any governmental body, agency, authority or any other Person having jurisdiction over such Purchaser other than those which have been obtained on or before the date hereof.

SECTION 4.3. Purchase for Own Account. The Securities to be acquired by such Purchaser pursuant to this Agreement are not being acquired with the intention of distributing or reselling such Securities or any part thereof in any transaction which would be in violation of the securities laws of the United States, without prejudice, however, to such Purchaser's rights at all times to sell or otherwise dispose of all or any part of such

Securities under a registration statement under the Act or under an exemption from such registration available under the Act.

SECTION 4.4. Investor Sophistication. Such Purchaser, by reason of its business and financial experience, or the business and financial experience of those Persons retained by it to advise it with respect to its investment in the Securities being acquired pursuant to this Agreement, have such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment, are able to bear the economic risk of such investment and, at the present time, are able to afford a complete loss of such investment.

ARTICLE V

MISCELLANEOUS

SECTION 5.1. (a) Indemnification. The Companies (jointly and severally, the "Indemnifying Party") agree and covenant to hold harmless and indemnify each Purchaser, Dickstein, their respective Affiliates and all directors, officers, partners, employees, agents, shareholders, advisors and representatives of the foregoing (each of the foregoing Persons being an "Indemnified Person"), from and against any losses, claims, damages, liabilities and expenses (including attorneys' fees and expenses of investigation) asserted against or incurred by such Indemnified Person (collectively, "Indemnifiable Costs and Expenses") in connection with or as a result of (i) any actual or threatened third-party action, suit, proceeding or investigation (including expenses of investigation) arising out of or based in any manner upon the Purchasers', Dickstein's or any other party's negotiation, execution or performance of its obligations hereunder or under the Other Securities Purchase Agreements, or its ownership of any of the Securities, (ii) any breach by the Indemnifying Party of any its representations, warranties or covenants contained herein or in the other Basic Agreements or (iii) enforcement of the rights of an Indemnified Person under this Agreement or any of the Securities.

The Indemnifying Party further agrees promptly upon demand by each Indemnified Person to reimburse each Indemnified Person for any Indemnifiable

Costs and Expenses as they are incurred by it. The Indemnifying Party further agrees: (i) that the indemnification, contribution and reimbursement commitments set forth in this Section 5.1 shall apply whether or not an Indemnified Person is a formal party to any such lawsuits, claims or other proceedings; and (ii) promptly upon demand by an Indemnified Person, at any time or from time to time, to reimburse such Indemnified Person for, or to pay any loss, claim, damage, liability or expense as to which the Indemnifying Party has indemnified such Indemnified Person pursuant to this Agreement. The indemnity, contribution and expense reimbursement obligation of the Indemnifying Party under this Section 5.1 shall be in addition to any liability it may otherwise have.

The obligations of the Indemnifying Party under this Section 5.1(a) shall be joint and several, and shall survive any redemption of the Securities, the transfer of the Securities and the termination of this Agreement and shall not be extinguished with respect to

any Person because any other Persons are not entitled to indemnity or contribution hereunder.

(b) Contribution. In order to provide for just and equitable contribution in circumstances under which the indemnity provided for in this Section 5.1 is for any reason held to be unenforceable by the Indemnified Person though applicable in accordance with its terms, the Indemnifying Party, in lieu of indemnifying such Indemnified Person, shall have an obligation to contribute, and shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnifying Party and the Indemnified Persons, but also to reflect the relative fault of the Indemnifying Party and the Indemnified Persons in connection with the statement or omissions which result in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations; provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The relative fault of the Indemnifying Party and the Indemnified Persons shall be determined by reference to, among other things, whether the untrue statement of a material fact or the omission to state a material fact has been made by, or relates to information supplied by, the Indemnifying Party or Indemnified Persons and the Persons' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a Person as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Person in connection with investigating or defending any such claim.

The Companies and the Purchasers agree that it would not be just and equitable if contribution pursuant to the immediately preceding paragraph were determined by any method of allocation which does not take into account the equitable considerations referred to in such paragraph.

(c) Notification. Each party agrees to notify the Companies of the commencement of any litigation or proceeding against it or any of its related Indemnified Persons in connection with the issue of any of the Securities, or in any way related or attributed to any documents or matters as to which such party is liable to indemnify, contribute or reimburse hereunder; provided, however, that the failure to provide such notice shall not relieve the Indemnifying Party (i) from any liability which it may have to any Indemnified Person hereunder or (ii) from any liability which it may have to any Indemnified Person otherwise than pursuant to this Section 5.1.

SECTION 5.2. Entire Agreement; Survival of Provisions. This Agreement and the other agreements and documents executed in connection herewith constitute the entire agreement of the parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings with respect thereto. All of the covenants of the parties made herein shall remain operative and in full force and effect regardless of (a)

acceptance of any of the Securities and payment therefor or (b) payment of the Securities upon redemption or exchange or otherwise.

SECTION 5.3. No Waiver; Modifications in Writing. No failure or delay by a party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to any party at law or in equity or otherwise. No waiver of or consent to any departure by a party from any provision of this Agreement shall be effective unless signed in writing by the parties entitled to the benefit thereof, including without limitation Dickstein. No amendment, modification or termination of any provision of this Agreement shall be effective unless signed in writing by the party to be bound. Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

SECTION 5.4. Communications. All notices, demands and other communications hereunder shall be in writing, shall be effective upon receipt

and shall be addressed as follows: if to the Purchasers, addressed to the Purchasers as shown on the execution page hereof; if to the Companies, in care of the Issuer, at Six Landmark Square, Stamford, Connecticut 06901, telecopier No. (203) 359-5840, Attention: Steven Bock; if to Dickstein, in care of Dickstein Partners Inc. at 9 West 57th Street, New York, New York 10019, telecopier No. (212) 744-5825, Attention: Mark D. Brodsky and Samuel Katz; provided, however, that any party or Dickstein may from time to time designate a different address by notice to the others.

SECTION 5.5. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

SECTION 5.6. Binding Effect; Assignment. The rights and obligations of the Purchasers under this Agreement may be assigned to any other Person. The rights and obligations of the Companies under this Agreement may not be assigned to any other Person, except upon the consent of the Purchasers and Dickstein. Except as expressly provided in this Agreement, this Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and permitted assigns. This Agreement shall be binding upon the Companies, the Purchasers and any such permitted assignee.

SECTION 5.7. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State, without regard to principles of conflict

of laws. Each of the parties hereto agrees to submit to the jurisdiction of the federal or state courts located in the City of New York, Borough of Manhattan, in any action or proceeding arising out of or relating to this Agreement.

SECTION 5.8. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 5.9. Headings. The Article and Section headings used or contained in this Agreement are for convenience of reference only and shall not

affect the construction of this Agreement.

SECTION 5.10. Costs, Expenses and Taxes. The Companies shall reimburse all of the fees and expenses (including fees and expenses of legal counsel) of each of the Purchasers and Dickstein incurred (i) in connection with the Chapter 11 Cases of the Companies or (ii) in the formulation, negotiation, preparation and implementation of this Agreement, the Basic Agreements, the Disclosure Statement and the Plan, and the documents, agreements and instruments contemplated hereby or thereby or referred to herein or therein. The Companies shall pay any and all stamp, transfer and other similar taxes payable or determined to be payable in connection with the execution and delivery of this Agreement or the issuance of the Securities, and shall save and hold each Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay in paying, or omission to pay, such taxes.

SECTION 5.11. Third Party Beneficiary. The parties hereto hereby acknowledge that this Agreement and the representations, warranties, agreements and indemnification obligations contained herein have been relied upon by Dickstein in connection with its purchase of securities of the Issuer pursuant to the Signal Securities Purchase Agreement and the Noteholder Securities Purchase Agreement, and but for the execution and delivery of this Agreement Dickstein would not have entered into such Agreements or purchased securities of the Issuer. Dickstein and its related Indemnified Persons (as defined in Section 5.1(a) hereof) shall be deemed to be intended beneficiaries of this Agreement, entitled to enforce the terms hereof directly against any of the Companies, including, without limitation, the indemnification provisions hereof and the reimbursement of its expenses as set forth in Section 5.10 hereof.

SECTION 5.12. Viking Participation. Concurrent with the execution and delivery of this Agreement and the delivery of the Securities to Viking in exchange therefor, Viking shall effect the Exchange. Notwithstanding anything to the contrary contained herein, Signal Capital Corporation shall not be entitled to any distribution arising out of or in connection with the Exchange.

SECTION 5.13. Waiver of Jury Trial. The Companies hereby irrevocably waive all right to a trial by jury in any action, proceeding or counterclaim arising out of or

relating to this Agreement, the Basic Agreements or the transactions contemplated hereby or thereby.

SECTION 5.14. Further Assurances. Each party shall execute and deliver all further documents or instruments reasonably requested by any of the

other parties hereto and not inconsistent with this Agreement in order to effectuate or facilitate the purchase and sale of the Securities and the other transactions contemplated by this Agreement.

[The rest of this page is intentionally left blank.]

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

SC CORPORATION

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

WESTERN SCHOOLS, INC.

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

WIGS BY PAULA, INC.

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

DICKSTEIN & CO., L.P.

By: DICKSTEIN PARTNERS, L.P., its general partner

By: DICKSTEIN PARTNERS INC., its general partner

By_____
Mark D. Brodsky, Vice President
Address: 9 West 57th Street
New York, NY 10019

Attn: Mark D. Brodsky and
Samuel Katz
Telephone: (212) 754-4000
Telecopier: (212) 754-5825

DICKSTEIN INTERNATIONAL LIMITED

By: DICKSTEIN PARTNERS INC., its agent

By_____
Mark D. Brodsky, Vice President
Address: 9 West 57th Street
New York, NY 10019

Attn: Mark D. Brodsky and
Samuel Katz
Telephone: (212) 754-4000
Telecopier: (212) 754-5825

VIKING HOLDINGS LIMITED

By:_____
Name:
Title:
Address: La Motte Chambers
La Motte Street
St. Helier
Jersey JE1 1BJ
Channel Islands
Telephone: 011-44-534-602-000
Telecopier: 011-44-534-602-002

_____
Steven L. Bock
Address: Six Landmark Square, 4th Floor
Stamford, CT 06901
Telephone: 203-359-5640
Telecopier: 203-359-5840

_____
Bruce G. Pollack
Address: c/o Centre Partners, L.P.
One Rockefeller Plaza, Suite 1025

New York, New York 10020
Telephone: 212-632-4821
Telecopier: 212-632-4846

WIGS, L.P.

By:_____
Name: Arthur Kowaloff
Title: General Partner
Address: c/o Patricof & Co. Capital Corp.
445 Park Avenue, 11th Floor
New York, NY 10022
Telephone: 212-935-5151
Telecopier: 212-832-6946

Exhibit 10.16

PLEDGE AND SECURITY AGREEMENT

In order to induce SC CORPORATION, a Delaware corporation ("SC") to accept from WIGS, L.P., a Delaware limited partnership ("Pledgor") a promissory note from Pledgor to SC, dated the date hereof, in the original principal amount of $147,583 (the "Note"), as partial consideration for SC's issuance to Pledgor of 26,051 shares of its common stock, par value $.01 per share (the "Common Shares"), 675 shares of its preferred stock, par value $100 per share (the "Preferred Shares") , and SC Corporation Subordinated Notes in aggregate principal amount of $110,406 (the "Subordinated Notes" and, together with the Common Shares and the Preferred Shares, the "Securities"), pursuant to the terms of a Debtor Securities Purchase Agreement, dated the date hereof, by and among SC, Pledgor and other signatories thereto (the "Debtor Securities Purchase Agreement"), and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto enter into this Pledge and Security Agreement (the "Agreement") and agree as follows:

1. Pledge. (a) As collateral security for the due payment of (i) all of the Pledgor's obligations under the Note, whether at the stated maturity, by acceleration or otherwise, (ii) the reasonable expenses of SC of holding, preparing for sale, selling or otherwise disposing or realizing on the Collateral (as hereinafter defined), (iii) the expenses of SC of any exercise of its rights hereunder or under the Note (together with reasonable attorneys' fees and court costs) after an Event of Default under the Note shall have occurred and be continuing (the "Secured Obligations"), Pledgor hereby pledges, transfers and assigns to SC and grants SC a security interest in the following (collectively, defined as the "Collateral"): (i) 18,365 of the Common Shares (the "Pledged Common Shares") and 490 of the Preferred Shares (the "Pledged Preferred Shares") (including and together with any and all cash, instruments and other property and assets from time to time received as dividends (liquidating, stock or otherwise) and distributions (including distributions or exchanges in connection with any reorganization or recapitalization of SC, including any merger or stock split) with respect to the Pledged Common or Pledged Preferred Shares) and (ii) $80,186 in aggregate principal amount of the Subordinated Notes (the "Pledged Subordinated Notes" and, together with the Pledged Common and Pledged Preferred Shares, the "Pledged Securities"), including any and all principal, interest, cash, instruments and other property and assets from time to time received or receivable or otherwise distributed in respect of or in exchange for the Pledged Subordinated Notes. SC acknowledges receipt of the Pledged Securities and undated stock and note powers with respect thereto duly executed in blank by the Pledgor.

(b) The obligations of the Pledgor under this Agreement shall be

absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any renewal, extension, amendment or modification of or addition or supplement to or deletion from the Note or any other instrument or agreement referred to herein or therein, or any assignment or transfer of any thereof; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument or this Agreement; (c) any furnishing of any additional security to SC or its assignee or any acceptance thereof or any release of any security by SC or its assignee; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part,

of any such instrument or agreement or any term thereof; or (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Pledgor or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Pledgor shall have notice or knowledge of any of the foregoing.

2. Voting Powers. Unless and until an Event of Default under the Note shall occur and be continuing, Pledgor shall retain and be entitled to exercise all voting and consensual powers pertaining to the Collateral or any part thereof. Upon the occurrence and during the continuance of an Event of Default under the Note, SC shall have the right to transfer to or to register in its name or the names of any of its nominees any of the Collateral.

3. Distributions on Collateral. All dividends, interest, payments of principal or other distributions of any kind paid or made with respect to the Collateral, including in exchange for the Collateral, shall be paid or made to SC, together, if applicable, with appropriate assignments thereof in blank duly executed by Pledgor, and shall be subject to the security interest granted hereunder until such time as the Note shall have been paid in full; provided, however, that any and all dividends, interest, payments of principal or other distribution of any kind paid or made in cash shall be applied by Pledgor to the prepayment of principal, together with accrued interest on the amount prepaid to the date of prepayment, pursuant to the terms of the Note.

4. Rights and Remedies. (a) In the event an Event of Default occurs under the Note or the Pledgor shall default in respect of Pledgor's obligations to SC described in Section 1, then, in such event, SC may exercise in respect of the Collateral, in

addition to other rights and remedies provided for herein or otherwise available to SC, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of New York at that time, and SC may also, without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of SC's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as SC may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. SC shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. SC may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. In the event of a transfer of Collateral to SC, SC shall be the sole owner of the Collateral for all purposes.

(b) All rights and remedies hereunder are in addition to whatever other rights SC may otherwise have against Pledgor, and no exercise of any such rights or remedies shall be deemed to preclude the exercise of any other rights or remedies.

5. No recourse. None of the partners of Pledgor shall be, directly or indirectly, personally liable for the obligations of Pledgor under this Agreement, nor does the signature of any of them that appears hereon bind them personally. Any payments to be made by Pledgor under this Agreement are to be made only out of the funds of Pledgor, and SC shall look for such payment only to the funds of Pledgor exclusive of any obligation to make a contribution by any partner of Pledgor.

6. Assurances with respect to Merger. The parties hereto acknowledge that they are parties to that certain Shareholders' Agreement, dated the date hereof, by and among SC, the Pledgor and the other shareholders of SC signatories thereto (the "Shareholders' Agreement"). In the event that the merger (the "Merger") of Wigs by Paula, Inc., a Massachusetts corporation ("Wigs"), into SC, as contemplated by the Shareholders' Agreement occurs, (i) SC agrees that it will promptly execute and deliver all further instruments and documents, including any endorsements or assignments, and take all further action that may be necessary or desirable to release the Pledged Securities from the lien created hereunder and to effect the transfer of such Pledged Securities to whoever is meant to receive them pursuant to the terms of the Merger, and (ii) Pledgor agrees that whatever consideration it receives in exchange for the

Pledged Securities pursuant to the terms of the Merger shall be considered Collateral hereunder, and that it will promptly execute and deliver all further instruments and documents, including any endorsements or assignments, and take all further action that may be necessary or desirable to deliver such Collateral to SC, and to enable SC to exercise and enforce its rights and remedies hereunder with respect to such Collateral.

7. General Provisions.

a. Entire Agreement. This Agreement, the Note and the other agreements and instruments referred to herein and therein constitute the entire agreement of the parties with respect to the subject matter hereof.

b. Amendment. This Agreement may be amended, modified or revoked only by written instrument signed by each party hereto.

c. Successors. This Agreement shall be binding upon the Pledgor and its successors and assigns. This Agreement shall not be assignable or otherwise transferable by Pledgor without the prior written consent of SC. This Agreement shall inure to the benefit of SC and its successors and assigns. SC may assign or pledge this Agreement and the Note at will, and the parties hereto acknowledge that SC may pledge this Agreement and the Note as collateral security for loans to be made under a credit agreement between SC and Banque Nationale de Paris, New York Branch, as agent for certain lenders named therein.

d. Notices. Any notices required or permitted to be given under this Agreement shall be in writing and delivered by personal delivery, by overnight mail service, postage prepaid, or by facsimile transmission, and shall be effective upon the date of delivery, if personally delivered, or one (1) day after being sent by overnight mail service or facsimile transmission, and properly addressed to the parties at the following addresses, or at such other address as may be designated by such party by notice to the other parties.

If to SC:

Steven L. Bock
SC Corporation
Six Landmark Square
Fourth Floor
Stamford, CT 06901-2792

With a copy to:

Paul S. Pearlman, Esq.
Kramer, Levin, Naftalis, Nessen,
Kamin & Frankel
919 Third Avenue
New York, New York 10022

If to Wigs, L.P.:

Arthur D. Kowaloff
Wigs, L.P. c/o
Patricof & Co. Capital Corp.
445 Park Avenue, 11th Floor
New York, NY 10022

With a copy to:

Lawrence G. Goodman, Esq.
Shereff, Friedman, Hoffman & Goodman
919 Third Avenue
New York, NY 10022

e. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument binding on all of the parties.

f. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to choice of law principles.

g. Severability. If any of the provisions of this Agreement shall be invalid, void or for any reason unenforceable, the other provisions of the Agreement shall not be affected and the Agreement shall be construed as if such invalid, void or unenforceable provisions were omitted.

h. Waiver. Any provision of this Agreement may be waived upon the written consent of each party hereto. The failure of any party hereto at any time or times to require performance of any provisions hereto shall in no manner affect such party's right at a later time to enforce the same provision. Any waiver by any party of the breach of any provision contained in this Agreement in any one or more instances shall not be deemed to be a waiver of any other breach of the same provision or any other provision contained herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of November ___, 1994.

SC CORPORATION

By:_____
Name:
Title:

WIGS, L.P.

By:_____
Name:
Title:

Exhibit 10.17

WIGS, L.P.

PROMISSORY NOTE

US $147,583 November 23, 1994

FOR VALUE RECEIVED, Wigs, L.P., a Delaware limited partnership ("Payor") hereby promises to pay to SC Corporation, a Delaware corporation (the "Holder"), in installments as herein stated, the principal sum of ONE HUNDRED FORTY SEVEN THOUSAND FIVE HUNDRED AND EIGHTY-THREE DOLLARS ($147,583).

This note (the "Note") is being delivered by the Payor to the Holder pursuant to the terms of a Debtor Securities Purchase Agreement, dated the date hereof, by and among the Payor, the Holder and other signatories thereto (the "Debtor Securities Purchase Agreement"), as partial consideration for the Holder's issuance to the Payor of 26,051 shares of its common stock, par value $.01 per share (the "Common Shares"), 675 shares of its preferred stock, par value $100 per share (the "Preferred Shares"), and SC CORPORATION SUBORDINATED NOTES in aggregate principal amount of $110,406 (the "Subordinated Notes" and, together with the Common Shares and the Preferred Shares, the "Securities").

This Note is secured under a Pledge and Security Agreement, dated the date hereof, between the Payor and the Holder (the "Pledge and Security Agreement") pursuant to which the Payor has pledged 18,365 of the Common Shares, 490 of the Preferred Shares and $80,186 in aggregate principal amount of the Subordinated Notes (the "Pledged Securities") to the Holder as collateral security for the payment of this Note.

1. Amortization Payments. Payor agrees to pay a portion of the principal amount of this Note then outstanding, together with all unpaid interest accrued to that date, on December 31 of each year, commencing December 31, 1995 (each an "Amortization Payment Date"), pursuant to the following schedule:

Amount of Unpaid Principal to be Paid	Amortization Payment Date
$ 7,378	December 31, 1995
11,066	December 31, 1996
14,755	December 31, 1997
18,444	December 31, 1998
95,940	December 31, 1999

2. Interest. Payor agrees to pay interest from the date hereof accrued on the unpaid principal amount of this Note from time to time outstanding at the rate of 7.25% per annum, payable

quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 1995 (each an "Interest Payment Date," and, together with the Amortization Payment Dates, the "Payment Dates"), and upon the final payment in full of all unpaid principal of this Note. Interest shall be computed on the basis of a 365/366 day year and the actual number of days elapsed.

3. Default Interest. Payor agrees that upon the occurrence and during the continuance of any Event of Default, Payor shall pay interest at the rate of 9.25% per annum on (i) the unpaid principal amount of this Note from time to time outstanding, payable in arrears on the dates referred to in Section 2 above, and on demand, and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full, and on demand.

4. Business Day. If any Payment Date is not a Business Day, the payment due on that Payment Date shall be made on the next succeeding day that is a Business Day. For the purposes of this Note the phrase "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York State are authorized or required by law to be closed.

5. Optional Prepayments. The Payor may, at its option, prepay the principal amount of this Note at any time in whole, or from time to time in such part as the Payor shall elect, with accrued interest on the amount prepaid to the date of prepayment, in each case without penalty or premium therefor. All such optional prepayments shall be applied to unpaid principal in inverse order of maturity.

6. Mandatory Prepayments. Payor agrees that, so long as any of the principal of this Note remains unpaid, any amounts distributed on the Pledged Securities (or any substitute or replacement collateral) in cash, whether as interest, dividends, prepayments of principal, redemptions, repurchases or otherwise, shall be applied to prepay the principal of this Note, together with accrued interest on the amount prepaid to the date of prepayment, pursuant to the terms of the Pledge Agreement. All such mandatory prepayments shall be applied to unpaid principal in inverse order of maturity.

7. Methods of Payment. All payments of principal and interest on this Note shall be made in lawful money of the United States of America.

8. Defaults. Any of the following shall constitute an Event of Default hereunder:

(a) The Payor shall fail to pay any principal or interest due hereunder, which failure shall remain uncured for a period of five (5) days;

(b) If any voluntary or involuntary proceeding shall be commenced by or against the Payor under any chapter of the Federal Bankruptcy Code or other law relating to bankruptcy, bankruptcy reorganization, insolvency or relief of debtors, and such petition or proceeding is not dismissed within thirty (30) days from the date on which it is filed or instituted;

(c) If the Payor becomes insolvent or is unable to pay its debts as they become due or makes an assignment for the benefit of creditors; or

(d) The dissolution or other winding up of the Payor.

Upon the occurrence of any Event of Default the principal of this Note and any accrued and unpaid interest hereunder shall, at the sole option of the Holder, become immediately due and payable. The failure of the Holder to exercise the option described in the preceding sentence at any time shall not constitute a waiver of the Holder's right to exercise such option at any other time.

9. Expenses. Payor agrees to pay all expenses incurred by the Holder hereof in connection with the collection and enforcement of this Note, including, without limitation, reasonable attorneys' fees and disbursements.

10. No Recourse. None of the partners of Payor shall be, directly or indirectly, personally liable on this Note, nor does the signature of any of them that appears hereon bind them personally. All payments to be made on this Note are to be made only out of funds of Payor, and Holder shall look for such payment only to the funds of Payor exclusive of any obligation to make a contribution by any partner of Payor.

11. Waiver of Notice, etc. The Payor hereby waives presentment, notice of demand for payment, protest, notice of dishonor and any other notice of any kind with respect to this Note.

[Remainder of page intentionally blank.]

12. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York, without regard to the principles of conflict of laws thereof.

IN WITNESS WHEREOF, Payor has caused this instrument to be duly executed as of this 23rd day of November, 1994.

WIGS, L. P.

By: _____
name:
title:

EXHIBIT 10.18

LEASED AGREEMENT

LEASE AGREEMENT dated as of this 10th day of July, 1985, by and between SIMON D. YOUNG, Trustee of the Sandpy Realty Trust under a Declaration of Trust dated January 2, 1985 and recorded in Bristol County North District Registry of Deeds in Book 2700, Page 276, whose address is 16 Westwood Drive, Brockton, Massachusetts (hereinafter called "Lessor"), and WIGS BY PAULA, INC., a Massachusetts corporation having a place of business at 321 Manley Street, West Bridgewater, Massachusetts (hereinafter called "Lessee").

1. Demise of Premises. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, for the term, at the rents and subject to the provisions hereinafter set forth, the premises consisting of (i) the parcel of land described in Schedule A hereto, together with all buildings and improvements now or hereafter located thereon (hereinafter "the Land" and "the Building") and (ii) all easements, rights, restrictions and appurtenances relating to such parcel (all of the foregoing (i) and (ii) being hereinafter called the "Leased Premises").

2. Title and Condition. Lessor warrants that on the "Commencement Date" as hereinafter defined, it shall have good and clear record and marketable title to the Leased Premises, free from all liens and encumbrances except as set forth on Schedule B attached hereto, and that said premises may be used for the purposes set forth in Paragraph 8(a)(i) hereof. Title to the Leased Premises may also be subject to a first mortgage to an institutional lender financing construction of the Building and related improvements described in Paragraph (22) hereof, and to any other mortgage or bond indenture of trust granted pursuant to Paragraph (10) hereof (hereinafter the "Institutional First Mortgage").

3. Term. The term of this lease shall be for a period commencing on the "Commencement Date" as hereinafter defined and expiring twenty-five (25) years thereafter unless sooner terminated under the provisions hereof.

4. Rent.

(a) Fixed Rent. Lessee covenants and agrees to pay Lessor without offset or reduction, and without previous demand therefor fixed rent at the annual rate of Three Hundred Four Thousand Five Hundred ($304,500.00) Dollars. All fixed rent shall be payable by Lessee in equal monthly installments on the first day of each and every calendar month after the Commencement Date during the term of this Lease and shall be payable at the office of the Lessor first above set forth or at such other place of which Lessor shall have given Lessee written notice. As hereinafter used, the term "rent" shall be deemed to include the fixed rent (hereinafter called "Fixed Rent") and the Additional Rent, if any, payable by Lessee to Lessor hereinafter. Rent for any portion of a month at the

beginning or end of the term hereof shall be prorated, and is payable in advance on the first day of such portion of a month.

(b) Additional Rent. From and after the Commencement Date, Lessee covenants to pay when due, as additional rent (hereinafter called "Additional Rent") the following:

(i) all real estate taxes on the land and the Building (including, without limitation, all such taxes with respect to alterations pursuant to Paragraph 8(c) and (d) hereof, and all future improvements to the Leased Premises), all water and sewer charges with respect thereto, and any other like municipal charges assessed upon the Leased Premises and accruing and payable after said Commencement Date;

(ii) all charges for water, gas, light, heat, telephone, electricity, power and other utility, communication or other services rendered to the Lessee at the Leased Premises; and

(iii) the entire cost of Lessor's insurance as provided in Paragraph (9) hereof (or any increase in the cost thereof as provided in Paragraph 8(d) hereof).

(iv) the entire increased cost of Lessor's interest charges and other payments due under an Industrial Revenue Bond of even date herewith in the amount of $2,000,000.00 issued by the Town of Easton to finance the acquisition of the Leased Premises, as provided in a Loan Agreement between said Town and Lessor ("the Loan Agreement") and an Indenture of Trust and Mortgage by and between Lessor, said Town, and Rockland Trust Company ("the Indenture"), also of even date, that is all interest and other charges under said Bond over and above the Tax Exempt Rate in effect on the Delivery Date thereof. To the extent that said interest and other charges shall increase pursuant to the terms of said Bond, the entire such increase shall be paid by the Lessee as additional rent.

Anything to the contrary in the foregoing sections (a) and (b) of this Paragraph (4) notwithstanding, the Fixed Rent and the Additional Rent shall in no event ever be less than the amount payable from time to time by Lessor as Loan Payments and as Additional Payments; as such terms are defined in the Loan Agreement and the Indenture.

Lessee shall, on the first day of each month of the term, make tax fund payments to Lessor (or if instead required by it, to the Institutional First Mortgagee, so long as there is a first mortgage on the Leased Premises). "Tax fund payments" refer to such payments as Lessor shall reasonably determine to be sufficient to provide in the aggregate, a fund adequate to pay, when they become due and payable, all taxes and assessments referred to in Paragraph 4(b)(i) hereof, with all such amounts for the first fiscal year during which the Commencement Date falls to be equitably apportioned between Lessor and Lessee.

If the Lessee shall have made the

aforesaid tax fund payments, Lessor shall on or before the last day on which the same may be paid without interest or penalty, cause to be paid to the proper authority charged with the collection thereof all said taxes and assessments. If the aggregate of said tax fund payments is not adequate to pay all said taxes and assessments when due, Lessee shall pay to Lessor (or, in the alternative, to said Mortgagee), the amount by which such aggregate is less than the amount required to pay all said taxes, on or before the later of (A) ten (10) days after receipt by Lessee of written notice from Lessor of such amount, or (B) the thirtieth (30th) day prior to the last day on which such taxes and assessments may be paid without interest or penalty. Any balance remaining after such payment by Lessor shall be accounted for to Lessee annually.

(c) Rent to be Net to Lessor. In addition to and not in limitation of the foregoing, it is the purpose and intent of the Lessor and the Lessee that this lease be a net lease, except as herein expressly provided; and except as aforesaid, that the Fixed Rent shall be absolutely net to the Lessor so that this lease shall yield, net, to the Lessor, the Fixed Rent specified herein at the times specified herein, during the entire term of this lease.

(d) Permitted Contests. Lessee shall not be required to pay any tax, levy, fee, Additional Rent, or charge referred to above, so long as Lessee shall contest, in good faith and at its own expense, the existence, amount or validity thereof by appropriate proceedings. While any such proceedings are pending, Lessor shall not have the right to pay, remove or cause to be discharged the violation, impairment, tax, levy, fee, rent or lien, encumbrance or charge, thereby being contested, unless the same is required to protect the interests of the Lessor in the real estate. Lessee further agrees that each such contest shall be promptly prosecuted to a final conclusion. Lessee will pay, and save Lessor harmless against any and all losses, judgment, decrees and costs (including all reasonable attorney's fees and expenses) in connection with any such contest and will, promptly after the final settlement, compromise or determination of such contest fully pay and discharge the amounts which shall be levied, assessed, be payable therein, or in connection therewith, together with all penalties, fines, interests, costs and expenses thereof or in connection therewith. Anything to the contrary contained in the foregoing notwithstanding, Lessee shall in any event (i) continue to make those tax escrow payments provided for under the second paragraph of Paragraph 4(b) hereof, and (ii) shall pay, or cause to be paid, any such charge prior to the time when the amount thereof would otherwise become a lien upon the Leased Premises which is superior to the lien represented by any permitted mortgage thereof.

(e) Lessee's Fixturing Period. Lessee shall have the right to occupy the Leased Premises as soon as the same can be done without unduly interfering with

the construction activities of the Lessor, for the purpose of installing its equipment and trade fixtures and making the same ready for its occupancy. Such occupancy shall be at Lessee's sole risk. Insofar as reasonably applicable, such occupancy shall be subject to the terms, provisions and conditions of this lease except that no rent of any kind or nature shall be payable on account thereof.

5. Compliance with Law. Upon the Commencement Date, Lessor shall deliver the Leased Premises and the construction thereon to be performed by Lessor, in full compliance with all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or adopted prior to the Commencement Date by any governmental authority having jurisdiction thereof, with reference to those initially permitted uses of the premises set forth in Paragraph 8(a)(i) hereof. Lessee shall, at its expense, comply with and shall cause the Leased Premises to comply with all governmental statutes, laws, rules, orders, regulations and ordinances affecting the Land and Building or any part thereof, or the use thereof, enacted and applicable after the Commencement Date (except to the extent that said Land and Building are nonconforming as of the Commencement Date; or will become nonconforming thereafter on the basis of the passage of time or the giving of notice pursuant to a provision of law enacted on or before the Commencement Date, which matters shall remain Lessor's sole responsibility to correct). Neither Lessor nor Lessee shall be required to comply with any such statute, law, rule, order, regulation, or ordinance for which it is responsible as aforesaid (and, in the case of Lessor's responsibility, provided that it does not materially interfere with Lessee's permitted use of the premises), so long as it shall contest in good faith, and at its own expense, the validity or application thereof, and shall promptly prosecute such contest to a final conclusion.

6. Indemnification. Lessee agrees to pay, and to protect, indemnify, and save harmless Lessor from and against any and all liabilities, losses, damages, costs, expenses (including all reasonable attorney's fees, and expenses of Lessee and Lessor), causes of action, suits, claims, demands or judgment of any nature whatsoever arising from any injury to, or the death of, any person or any damage to property on the Land and Building, or in any manner growing out of or connected with the use, non-use, condition or occupation of the Land and the Building or any part thereof or resulting from the condition thereof, except for those due to Lessor's default hereunder, or its negligent act or omission. Lessee shall indemnify Lessor of and from any liability as aforesaid arising from any injury to or the death of any person or damage to property on those portions of the Leased Premises other than the Land and the Building if due to the Lessee's default hereunder, act or omission.

7. Liens and Encumbrances. Subject to the Lessor's right to contest as set forth in Section 4(d), the Lessor will not create any lien, encumbrance or charge on the Leased Premises which may be superior to the Lessee's rights hereunder (other than those items listed in Schedule B hereto and any Institutional First Mortgage permitted hereunder).

8. Use of Premises; Maintenance; Alterations.

(a) Use. The Leased Premises may be used (i) as and for a warehouse, distribution center for wigs and related administrative offices, and (ii) such other uses as are permitted by law and the applicable terms of any financing then in force and effect. Lessee will make no use of the Leased Premises which is contrary to law, or which constitutes a nuisance or is hazardous or endangers the Building.

(b) Maintenance. (i) Lessor shall make all repairs and replacements required with respect to the Leased premises during the first twelve (12) months after the Commencement Date, which arise out of defective workmanship or material in Lessor's original construction thereof as described in Paragraph (22) hereof, or by reason of Lessor's failure to fully comply with all laws, ordinances, rules and regulations of and duly constituted governmental authority having jurisdiction thereof, and for which Lessor is responsible. Lessor shall assign to Lessee all guarantees and warranties obtained by Lessor from any contractor or material supplier, except to the extent required by the Lessor to comply with its obligations hereunder. (ii) Except as aforesaid, Lessee shall at all times during the term of this Lease, at its own expense, keep and maintain the Leased Premises, including any additions or alterations thereto regardless of by whom constructed, in good order, repair and condition, reasonable wear and use which is consistent with good maintenance practices (which practices Lessee shall in any event be obligated to follow), damage by fire or other casualty, the obligations, defaults or negligent acts or omissions of Lessor, and the acts of governmental authority, only excepted. The obligation of the Lessee shall, without limiting the foregoing, extend to keeping the Land and the interior and exterior of the building in good, safe, neat, and attractive condition, including, without limitation, landscaping, parking areas, fixtures, and building equipment including plumbling, heating, electricity, air-conditioning, sprinkler systems and the like. Obligations with respect to damage caused by fire or other casualty or eminent domain are covered elsewhere in this lease.

(c) Alterations to Exterior Areas. Lessee shall have the right at its own cost and expense, to construct on any part or all of the Land, at any time and from time to time, such parking areas, driveways, walks, gardens and other like exterior improvements as Lessee shall from time to time determine; provided that the same shall be in compliance with all then applicable laws, regulations, ordinances and deed restrictions, and provided further that Lessee has first obtained written approval thereof from Lessor and from the holder of any permitted Institutional First Mortgage, which approval shall not be unreasonably withheld or delayed.

(d) Alterations to Building: Removal of Fixtures. Lessee may make nonstructural alterations, changes, replacements, improvements and additions in and to the Building originally to be constructed on the Land, including, without limitation, the installation of portable partitions, and the affixation to the realty of trade fixtures or other equipment relating to Lessee's particular use of the Leased Premises. Lessee shall not, however, without the prior written consent of Lessor (and the holder of any permitted Institutional first Mortgage to the extent required by such mortgage), which consent shall not be unreasonably withheld or delayed, make any structural change, alteration or modification to said Building, or construct any additional buildings on the Land.

Lessee shall submit to Lessor in connection with any proposed nonstructural alteration, change, replacement, improvement, or addition which shall cost in excess of One Hundred Thousand Dollars ($100,000.00), reasonable prior notice of Lessee's intention to make the same, together with schematic drawings and outline specifications of the work proposed to be done.

In connection with any structural change or additional building as to which consent is required, Lessee shall submit to Lessor and said Mortgagee, comprehensive plans and specifications for the work, and Lessor and said Mortgagee shall have thirty (30) days within which to approve or disapprove the work requested to be approved. If both the Lessor and said Mortgagee fail to disapprove the same in writing, the work shall be deemed approved. No such alteration, change, replacement, improvement or addition (whether structural or nonstructural) may be made, which, in any event:

(i) impairs or diminishes the strength, or structural or architectural integrity of the Building; or

(ii) which substantially and detrimentally alters the usefulness of the Building for the uses described in Paragraph 8(a)(i) hereof.

Lessee shall pay any increase in the cost of insurance resulting from any structural or nonstructural alteration or other improvement made by it.

The removal by Lessee of all nonstructual and structural items previously referred to in this Paragraph 8(d), and of certain components of the Building included in the initial construction under Paragraph 22 hereof, shall be governed by the following:

(A) All damage caused by such removal shall be repaired and restored, and all work to replace or restore items required by Subparagraph (C) hereof shall be completed by Lessee prior to the expiration of the then current lease period, in any event;

(B) Lessee may freely remove any nonstructural item installed under this Paragraph 8(d) (including trade fixtures and other equipment as aforesaid, which shall remain Lessee's sole property in any event), but may not remove any structural item or additional building; and

(C) Lessee may, at the expiration of the initial twenty-five (25) year term hereof, remove certain components of the initial construction carried out pursuant to Paragraph (22) hereof, subject to the following conditions:

(1) No item may be removed which impairs or diminishes the strength, or structural or architectural integrity of the Building;

(2) If removal would substantially or detrimentally alter the usefulness of the Building for the uses described in Paragraph 8(a)(i) (including, without limitation, the removal of all or any part of the Heating, Ventilating, and Air-conditioning System), then all items to be removed shall be replaced with items which are generally serviceable to premises of this character rather than adapted to Lessee's particular use therefor, and all utility or other systems directly or indirectly involved shall be restored to good working order and condition.

(e) Standards as to Lessee's Work. All work done by the Lessee under Subparagraphs (b), (c) or (d) of this Paragraph 8, or otherwise with respect to the Leased Premises shall be done at the sole cost and expense of Lessee, in full compliance with all laws, ordinances, rules and regulations of any duly constituted governmental authority and requirements of any Board of Fire Underwriters and in good and workmanlike manner using materials at least equal in quality to the materials used in the construction of the Building, and in accordance with any deed restrictions of record.

(9) Insurance

(a) Public Liability Insurance

Lessee shall maintain at its sole expense, throughout the term of this lease commencing upon its physical occupancy of the Leased Premises, insurance on the Land and the Building as follows:

(i) General public liability insurance naming Lessor and Lessee as Insured against claims for bodily injury, death or property damage, occurring on, in or about the Land and the Building; such insurance to afford protection to Lessor, Lessee, and the holder of any permitted Institutional First Mortgage, as their respective interests, may appear, on a combined single limit basis of $2,000,000.00.

(ii) Workmen's compensation insurance covering all persons employed in connection with any work done on or about the Land and the

Building with respect to which claims for death or bodily injury could be asserted against Lessee or the Leased Premises, or in lieu of workmen's compensation insurance a program of self insurance complying with the rules, regulations and requirements of the appropriate state agency from time to time.

(b) Casualty Insurance

Lessor shall maintain throughout the term of this lease, at Lessee's sole expense, insurance for the benefit of Lessor, and the holder of any permitted Institutional First Mortgage as their respective interests may appear, on the Building as originally constructed by Lessor and as thereafter reconstructed, altered, modified or otherwise improved by Lessor or by Lessee, insuring against all risks of physical damage or loss from external cause to the extent of the replacement value thereof, and so-called rental insurance, insuring against loss of rents during the period after occurrence of a casualty.

(c) Requirements as to Form of Insurance. The insurance referred to above shall be written by companies of recognized financial standing which are authorized to do an insurance business in the Commonwealth of Massachusetts.

Every insurance policy referred to above shall bear a first mortgage endorsement in favor of the holder of any permitted Institutional First Mortgage. To the extent permitted by applicable law, every policy which Lessor or Lessee are obligated to carry shall contain an agreement by the Insurer that it waives all rights of subrogation against Lessee and any owner of the Leased Premises, and that insurer will not cancel such policy except after twenty (20) days' prior written notice to Lessor, and to any mortgagee of the Leased Premises.

Certificates as to such insurance coverage shall be furnished by the party providing same to the other party at least fifteen (15) days prior to the first day of the period during which it is required to be in force.

10. Mortgage Financing.

(a) Subordination; Non-Disturbance; Attornment. This lease shall be subject and subordinate to any Institutional First Mortgage now or hereafter placed upon the premises by the Lessor, provided that each such mortgagee shall, on behalf of itself, its successors and assigns, enter into a Subordination and Non-Disturbance Agreement with Lessee in the form of Schedule C annexed hereto. "Institutional First Mortgage" and "Institutional First Mortgagee" shall refer to any accredited first mortgagee whose lending policies are regulated by the federal Comptroller of the Currency, or by any state banking or insurance

regulatory agency, and, in any event, the Industrial Revenue Bond financing referred to in Paragraph (4) hereof.

It is further agreed that if any such Mortgagee shall succeed to Lessor's interest in the Leased Premises by reason of the exercise of said Mortgagee's rights under said Mortgage (or the acceptance of voluntary conveyance in lieu thereof), then said Mortgagee may, at its option, to be exercised by the giving of written notice to Lessee of its desire so to do, succeed to the interest of Lessor under this lease; and in such event, the Lessee shall attorn to such successor and shall ipso facto be and become directly bound to such successor in interest to Lessor to perform and observe all the Lessee's obligations under this Lease without the necessity of the execution of any further instrument. Nevertheless, Lessee agrees at any time and from time to time during the term hereof to execute a suitable instrument in confirmation of Lessee's agreement to attorn, as aforesaid. Lessee hereby constitutes and appoints Lessor, or such Mortgagee, and/or their respective assigns Lessee's attorney-in-fact to execute and deliver any such agreement of attornment for and on behalf of Lessee.

(b) Modification to Lease. If, in connection with obtaining construction or permanent financing for the Building, any such Mortgagee shall request reasonable modifications in this Lease as a condition to such financing, Lessee will not unreasonably withhold, delay or condition its consent thereto, provided that such modifications do not increase the obligations of Lessee hereunder or materially adversely affect the leasehold interest hereby created.

(c) Assignment of Rents. With reference to any assignment by Lessor of its interest in this lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to or held by any such Mortgagee, Lessee agrees that:

(i) The execution thereof by Lessor and the acceptance thereof by such Mortgagee shall never be deemed an assumption by such Mortgagee of any of the obligations of the Lessor thereunder, unless such Mortgagee, by written notice sent to the Lessee, specifically otherwise elects; and

(ii) Except as aforesaid, such Mortgagee shall be treated as having assumed the Lessor's obligations thereunder only upon foreclosure of such Mortgagee's mortgage, and the taking of possession of the Leased Premises after having given notice of its exercise of the option stated in Subparagraph (a) of this Paragraph (10) hereof to succeed to the interest of the Lessor under this Lease.

(d) Notice to Mortgagee. In the event of any failure by Lessor to perform, fulfill or observe any agreement by Lessor herein, in no event will the Lessor be deemed to be in default under this lease until the Lessee shall have given written notice of such failure to any Mortgagee of which Lessee shall have been advised, and until a reasonable period of time shall have elapsed following the

giving of such notice, during which such Mortgages shall have the right, but not the obligation, to remedy such failure.

(e) Casualty or Eminent Domain Proceeds. Any mortgage granted by Lessor to secure permanent financing shall, inter alia, provide that the Mortgagee shall agree to release proceeds of any casualty insurance for restoration of the Leased Premises as herein provided if this lease shall not be terminated, and shall consent to the release of any eminent domain proceeds for restoration if this lease shall not be determine, in its reasonable judgment, that (i) the Lease Premises as so restored will constitute an economically viable property, and (ii) adequate funds are available to Lessor in order to complete such restoration under a reasonably satisfactory construction contract therefor.

(f) Refinancing of First Mortgage. Lessor shall have the right, at any time hereafter, to refinance any Institutional First Mortgage on the Leased Premises held by a permanent lender, and in such event, Lessee shall subordinate its interest hereunder to said new permanent financing in conformity with Subparagraph (a) of this Paragraph (10). Any and all proceeds of said refinancing shall accrue solely to Lessor.

11. Assignment by Lessee and Subletting. Lessee may sublet all or any part of the Leased Premises, and may assign all of its rights and interests under this lease but may not assign a lesser portion thereof (any such transferee other than a sublessee to expressly agree in writing, however, to assume and pay and perform Lessee's obligations hereunder); provided, however, that any such subletting or assignment (and any further sublease or assignment thereafter), shall be subject to the terms of outstanding financing and to the prior written approval of Lessor and any Institutional First Mortgagee, neither of which approvals shall be unreasonably withheld or delayed, and provided further that Lessee shall, nevertheless, remain primarily liable hereunder in any event.

Lessee may, without such consent, assign this lease, or sublet all or any part of the Leased Premises to any corporation into which the Lessee shall be merged or consolidated, or any corporation which shall acquire all or substantially all of the assets of Lessee (any such transferee other than a sublessee to expressly agree in writing, however, to assume and pay and perform Lessee's obligations hereunder) provided that any acquiring or resulting corporation has immediately subsequent to such transactions a net worth equal to the greater of (i) the net worth of the Lessee on the date of this lease, or (ii) the net worth of the Lessee on the proposed date of such assignment. Said net worth determination shall be subject to the reasonable review of any Institutional First Mortgagee, and the terms of outstanding financing.

No sublease or assignment by Lessee shall impose any obligations on Lessor or otherwise affect any of the rights of Lessor under this lease. Any such sublease or assignment made in violation of this Section shall be void.

12. Casualty Damage to Leased Premises.

(a) Lessor's Restoration Obligation. If the Building or any part thereof shall be damaged or destroyed by fire, the elements, or any other casualty, then Lessor shall promptly restore the Leased Premises to the same condition they were in immediately prior to said damage or destruction, provided that the insurance proceeds to be received by Lessor as the result of said casualty are adequate to do so in a manner reasonably satisfactory to it and its Institutional First Mortgagee, or, in the alternative, provided that Lessee undertakes to pay any deficiency in said proceeds. Lessee shall be solely responsible for the restoration of such of its equipment and fixtures of the type referred to in Paragraph 4(e) hereof, as may also have been damaged or destroyed. If any portion of the Leased Premises shall, as the result of such casualty, be rendered untenantable for the uses permitted hereunder, the Fixed and Additional Rental shall be suspended or abated in a just and equitable manner according to the nature and extent of the injury suffered to the Leased Premises until the same shall be restored to their former condition by Lessor, provided that so-called "rental insurance" covering said abatement is then in force.

(b) Lessor's Right to Terminate. If, however, (i) said damage or destruction shall be substantial and restoration would amount to "rebuilding" (meaning that such restoration would normally be expected to take in excess of 120 days or involve rebuilding in excess of fifty percent (50%) of the ground floor area of the Leased Premises), or (ii) if said damage or destruction shall occur during the last year of the original term hereof, or the last year of any extension period, Lessor may, the provisions of Paragraph 12(a) notwithstanding, terminate this lease by giving written notice to Lessee within thirty (30) days after such damage.

In such event, however, Lessee may, within thirty (30) days after said termination, exercise Lessee's option to purchase such premises, such purchase to be consummated on a date as specified by Lessee in said notice within thirty (30) to ninety (90) days thereafter, and in such case all proceeds recovered or recoverable shall be paid over to Lessee, subject to the rights of the holder of any Institutional First Mortgage.

(c) Lessee's Right to Terminate. Lessee shall have the right to terminate this lease, in the event that (i) Lessor, being obligated to restore the Leased Premises as provided hereunder, fails or neglects to commence such work reasonably promptly or diligently prosecute same thereafter; or, (ii) if said work is not substantially completed within 180 days of the time Lessor is obligated to commence same, in any event; or (iii) if said damage or destruction involves rebuilding in excess of thirty percent (30%) of the ground floor area of the Leased Premises and occurs during the last year of the original term hereof or the last year of any extension period; provided. however, that any

such right to terminate shall be exercised by a written notice given to Lessor and any Institutional First Mortgagee within thirty (30) days of the event giving rise to such right, and that in the instance of clauses (i) and (ii), Lessor is afforded thirty (30) days after the giving of said notice, to endeavor to cure any such default, prior to said termination becoming effective.

13. Condemnation

(a) Complete Taking. If the whole of the Leased Premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or shall be sold to the condemning authority under threat of condemnation, this lease shall terminate as of the date of vesting of title pursuant to any such taking or sale (hereinafter "taking") and rent paid in advance of the date of taking of actual possession by the condemning authority shall be refunded proportionately.

(b) Partial Taking - Option to Terminate. In the event that a substantial part of the Land and the Building are taken or sold as aforesaid, so that in Lessee's reasonable judgment the Leased Premises are no longer suitable for the conduct of the Lessee's business (which amount, in order for such judgment to be reasonable, must exceed thirty percent (30%) of the ground floor area of the Building in any event), or if the means of access thereto, including, without limitation, access to truck docks and loading areas, shall be taken, or if parking for more than one hundred (100) cars shall be taken, Lessee, at its election, may terminate this lease by giving written notice of its intention to terminate to Lessor within thirty (30) days after the vesting of title pursuant to any such taking or sale. Rent paid in advance of the date of taking of actual possession by the condemning authority shall be refunded proportionately.

(c) Partial Taking - Continuation of Lease. If there is a taking as asforesaid and this lease shall not be terminated, or if a taking occurs which is loss extensive than above provided, then this lease shall not terminate, but the Fixed Rent due hereunder shall be reduced in a just and equitable manner according to the nature and extent of the injuries to the Leased Premises suffered.

(d) Restoration. If this lease shall not be terminated, as aforesaid, the Lessor shall (provided that the damages received by it will be adequate to do so, or Lessee undertakes, in a manner reasonably satisfactory to Lessor and its Institutional First Mortgagee, to pay any deficiency therein) promptly restore the Leased Premises, or what may remain thereof, to a complete architectural unit of equal quality to the structures and improvements upon the Leased Premises immediately prior to such taking. During the period of restoration, the rent shall equitably abate.

(e) Eminent Domain Proceeds. Lessor shall be entitled to all eminent domain damages, awards, or other proceeds.

Lessee shall be entitled to recover directly from governmental authorities, however, on account of all loss and damage sustained with respect to its trade fixtures, and with respect to relocation expenditures and the like.

14. Default

(a) Lessee's Default

(i) If Lessee shall neglect or fail to make any payments of rent or other payments to be made by it hereunder; or

(ii) if Lessee shall neglect or fail to perform or observe any of the other covenants and agreements in this lease contained and on its part to be performed or observed; or

(iii) if the Leased Premises are abandoned; or

(iv) if the estate created hereby shall be taken upon execution, attachment or any other process of law and such process shall not be rendered inoperative within thirty (30) days thereafter, or if Lessee shall be adjudged a bankrupt or insolvent, or if any receiver or trustee of all or any part of the business or property of Lessee wherever located shall be appointed and shall not be discharged within forty-five (45) days after appointment, or if Lessee shall make any general assignment of its property for the benefit of creditors, or if Lessee shall file a voluntary petition in bankruptcy or insolvency now in force or hereafter enacted, federal, state or otherwise, or if any such petition shall be filed against Lessee and shall not be discharged within forty-five (45) days after the filing, or if Lessee shall seek a composition with its creditors by trust mortgage or otherwise;

then Lessor shall have the right, immediately or at any time thereafter, to enter upon the Leased Premises or any part thereof in the name of the whole or repossess the same as of its former estate and expel Lessee and those claiming by, through, or under it, and remove their goods and effects (forcibly, if necessary) without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears or rent or other payments of preceding breach of covenant and upon entry as aforesaid, this lease shall be terminated. In case of such termination, or in case of termination under the provisions of statute by reason of the default of Lessee, Lessor shall become entitled to receive from Lessee, and Lessee shall pay to Lessor, on demand, as initial liquidated damages, a sum equal to the amount by which the sum of the rent and other payments called for hereunder for the remainder of the term exceeds the fair rental value of the Leased Premises for the remainder of the term. Further, Lessee shall, on demand

of Lessor, indemnify Lessor against all loss of rent, other payments and damages, however caused, which it may incur by reason of such termination during the remainder of the term, first giving credit to any payment made by Lessee to Lessor on account of initial liquidated damages as aforesaid from time to time upon demand of Lessor. In computing such damages, there shall be added such expenses as Lessor may incur in connection with reletting, such as legal expenses, brokerage, expenses for keeping the Land and the Building in good order or for preparing the same for reletting, and/or decorations in the Land and the Building as may be necessary for the purpose of reletting. Lessor shall also have the right to pursue such other rights and remedies as may be allowed at law or equity against Lessee, and any and all other parties who may be liable. The said remedies shall be cumulative.

(b) Grace Periods. Anything herein contained to the contrary notwithstanding, lessee shall be entitled prior to the exercise of the right of entry by lessor as aforesaid, to five (5) days grace (without notice) in respect to payment of any rental or other money payments referred to in Paragraph 14(a)(i), and thirty (30) days' notice from Lessor with respect to any default under Paragraph 14(a)(ii) hereof; provided further that in the case of any default under Paragraph 14(a)(ii) which is of such character that it reasonably required, more than thirty (30)days to cure the same, Lessee shall be entitled to a reasonable period of time subsequent to such thirty (30) day period in which to prosecute said curative efforts, provided that the same are promptly commenced within such thirty (30)-day period and are pursued diligently until completion.

(c) Lessor's Right to Cure. If Lessee shall default in the performance of observance of any agreement or condition contained in this lease to be performed or observed by it, Lessor may, at its option, after the expiration of applicable grace periods cure such default for the account of Lessee and any amount paid of any contractual liability reasonably incurred by Lessor in so doing shall be charged to Lessor by lessee, and Lessee agrees to reimburse Lessor therefor together with interest at the rate of fifteen percent (15%) per annum from the date of demand; provided, however, that Lessor may cure any such default prior to the expiration of applicable grace periods (but after written notice of such intention), if such cure by Lessor is reasonably necessary to protect the real estate or Lessor's interest therein, or to prevent injury or damage to persons or property.

(d) Waiver. A waiver, express or implied, by lessor of any default by Lessee in the observance and performance of any of the conditions or covenants or duties hereof, shall not constitute or be construed as a waiver of any subsequent or other default. The rights and remedies of each party under this lease shall be cumulative and in addition to any other rights given to them by law, and the exercise of any right or remedy shall not impair either party's right to any other remedy.

15. Lessor's Covenant of Quiet Enjoyment. So long as Lessee is in possession of the Leased Premises, it shall not be disturbed in the enjoyment thereof by Lessor, or by anyone claiming by, through, or under Lessor, or by anyone claiming by paramount title.

16. Notices

(a) Mailing Procedure. All notices and other communications authorized or required hereunder shall be in writing and shall be given by mailing the same by certified or registered mail, postage prepaid, return receipt requested, and any such notice or other communication shall be deemed given when mailed as provided by this Paragraph 16; and

(i) If sent to Lessee, the same shall be mailed to Lessee at the address set forth on page 1 hereof;

or at such other address as Lessee may designate by like notice to Lessor; or

(ii) If sent to Lessor, the same shall be mailed to Lessor at the address set forth on page 1 hereof,

Neil N. Glazer, Esquire
SINGER, STONEMAN, KUNIAN & KURLAND, P.C.
100 Charles River Plaza
Boston, Massachusetts 02114

or at such other address as Lessor may hereafter designate by like notice to Lessee.

Each party shall have the right to designate not more than two other persons to whom copies of such notices shall be sent.

17. Miscellaneous

(a) Notice of Lease. Upon Lessee's request, both parties shall execute and deliver an instrument in form appropriate for recording as a notice of this lease.

(b) Modification of Lease. This lease contains the entire agreement between the parties and shall not be modified in any manner except by an instrument in writing executed by the parties.

(c) Governing Law. This lease is made pursuant to and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

(d) "Lessor" and "Lessee." The terms "Lessor" and "Lessee" wherever used herein shall include, and all of the provisions hereof shall bind and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto. It is specifically understood and agreed that there shall be absolutely no corporate nor personal liability incurred by the Lessor or any successor in interest of Lessor, whether the same be a corporation or trust, or an individual, joint venture, tenancy in common, firm, or partnership, general or limited, or on the part of the officers, directors and stockholders of the Lessor or on the part of the officers, directors and stockholders of any corporate successor in interest of the Lessor, or any trustee, or on the part of the members of any firm, partnership or joint venture if any successor in interest be a firm, partnership or joint venture with respect to any of the terms, covenants and conditions of this lease, and Lessee shall look solely to the equity of Lessor or such successor in interest in the fee estate of Lessor in the demised premises for the satisfaction of each and every remedy of lessee in the event of any breach by lessor or by any such successor in interest of any of the terms, covenants and conditions of this lease to be performed by Lessor, such exculpation of corporate and/or personal liability to be absolute and without any exception whatsoever.

(e) Severability. If any provisions of this lease or portion of such provision of the application thereof to any person or circumstance is for any reason held invalid or unenforceable, the remainder of the lease (including the remainder of such provision) and the application thereof to the persons or circumstances shall not be affected thereby.

(f) Headings. Section headings shall not be deemed to be part of this lease or to affect its contribution, but are inserted only for convenience of reference.

(g) Entry. Lessor and Lesser's designees may at all reasonable times enter into and examine the Leased Premises and show them to prospective purchasers, mortgagors and others interested therein, provided that they shall not interfere with Lessee's business.

18. Surrender. At the expiration or prior termination of this lease, Lessee shall redeliver the premises to the Lessor in such condition as they are required to be maintained under Paragraph 8(b) hereof.

19. Brokers. Each of Lessor and Lessee represents and warrants to the other that it has not dealt with any broker in this transaction, and each party hereby agrees to indemnify, defend, and hold harmless the other party from and against any and all loss, cost, or expense arising or resulting from any breach of the foregoing warranty.

20. Certification. Each of Lessee and Lessor agree from time to time upon request of the other to furnish certification to the other that this lease is then in full force and effect, if such be the case, and that there is no default hereunder, and if such shall not be the case, to specify any default then existing.

21. Costs and Expenses. In addition to and not in limitation of any other provisions of this lease, each party does hereby agree to indemnify and hold harmless the other of and from all costs and expenses including reasonable attorney's fees, incurred by such party in exercising its rights under this lease, or enforcing the obligations of the other party.

22. Construction

(a) Lessor's Obligations. Prior to the execution of this lease, the Lessor has caused to be prepared plans and specifications for the construction of a 43,500 square foot building upon the Leased Premises, which plans and specifications have been initialed by the parties hereto and are listed in Schedule D hereto (the "Lease Plans").

(b) Completion Date. On or before the date of execution hereof, Lessor has commenced construction of the Building and shall substantially complete the same on or before December 31, 1985, subject to delays due to the act or neglect of Lessee, its representatives, or any separate contractor employed by it; significant changes or alterations in the Building requested by Lessee; strikes or embargos; fires, windstorms floods, earthquakes, or other casualties; acts of war, or acts of public officials; the default of a subcontractor to Lessee's general contractor, provided that such default arises out of a cause beyond the control of Lessor, the general contractor, and the subcontractor, without the fault or negligence of any of them and provided that the material or services to be furnished by the subcontractor were not obtainable from other sources in sufficient time to permit Lessor to meet the required delivery schedule; or any other cause beyond the Lessor's reasonable control. Any delay in the substantial completion of said construction on account of any or all of the foregoing shall be deemed to be an "Excusable Delay" and the substantial completion date hereunder shall be extended by a period of time equal to the time lost because of any Excusable Delay. Notwithstanding the foregoing if the Building shall not have been substantially completed and a Certification of Occupancy issued (as hereinafter provided) on or before March 31, 1986, as extended by any period of Excusable delay, Lessee shall have the right to cancel this lease by giving written notice to the Lessor any time thereafter but prior to the substantial completion of the same.

(c) "Substantial Completion"; Commencement Date. As used herein, the term

"substantially completed" shall mean completion of the Building, including completion of the paving of the parking lot and all roads and driveways, with the building weathertight and capable of being secured, and with plumbing, heating, air-conditioning and electrical wiring installed and in working order,

so that the Lessee can make use of the Leased Premises for the purposes set forth in Paragraph 8(a)(i) hereof; excluding from Lessor's aforesaid substantial completion obligations, however,(a) items which have not been completed due to weather conditions, the absence of which does not materially impair Lessee's contemplated use (a) of the Leased Premises, and (b) normal punch-list items, the absence of which does not materially affect Lessee's contemplated use of the premises (which items shall be completed by Lessor within (30) days thereafter, in any event). The Lessee shall have both the right and the obligation to take possession of the Leased Premises on the day that (i) the same have been substantially completed as aforesaid, and (ii) a Certificate of Occupancy therefor has in fact been obtained by Lessor, and the term of this lease, and the Lessee's obligation to pay rent and any other sums hereunder shall begin on and as of that date, which shall be the "Commencement Date" referred to under this lease.

(d) Standards as to Lessors Work. All the Lessor's work shall be done in a good and workmanlike manner with full compliance of the approved plans and specifications, and, as set forth in paragraph (5) hereof, with all laws ordinances, rules and regulations of any duly constituted governmental authority having jurisdiction of the Leased Premises.

EXECUTED under seal as of the day first above written.

Witness:

/S/ Kevin G. Tubridy	/S/ Simon D. Young, Trustee
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	SIMON D. YOUNG, TRUSTEE OF SANDPY REALTY TRUST, and not individually
	WIGS BY PAULA
/S/ Kevin G. Tubridy	By: /S/ Simon D. Young, Pres.
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	SIMON D. YOUNG, PRESIDENT Hereunto Duly Authorized

LIST OF SCHEDULES

A certain parcel of land shown as Parcel A-1-C on a plan entitled "Plan of and in Easton, Massachusetts owned by Carl A. and Albertina R. Kempf" dated January 21, 1977, by Hayward-Boynton & Williams, Inc. and recorded with the Bristol County (North District) Registry of Deed in Plan book 162, page 75. Parcel A-1-C is more particularly bounded and described, according to said plan, as follows:

NORTHEASTERLY	by Bristol Drive, one hundred fifty and 00/00 (150.00) feet;
SOUTHEASTERLY	by Parcel A-1-D, three hundred ninety-one and 98/100 (391.98) feet;
SOUTHWESTERLY	by land of Carl A. and Abertina R. Kempt, one hundred fifty-two and 89/100, (152.89) feet; and
NORTHWESTERLY	Parcel A-1-B, four hundred twenty-one and 54/100(421.54) feet.

Parcel A-1-C contains 1.401 acres, accroding to said plan.

PARCEL A-1-D:

A certain parcel of land shown as Parcel A-1-D on said plan recorded in Plan Book 162, Page 75 and being more particularly bounded and described, according to said plan, as follows:

NORTHEASTERLY	by Bristol Drive, one hundred fifty and 00/100 (150.00) feet;
SOUTHEASTERLY	by Parcel A-1-E, on two (2) courses two hundred sixty and 51/100 (260.51) feet and one hundred and 88/100 (100.88) feet;
SOUTHWESTERLY	by land of Carl A. and Albertina R. Kempf, one hundred fifty-nine and 24/100 (159.24) feet; and

NORTHWESTERLY by Parcel A-1-C, three hundred ninety-one and 98/100 (391.98) feet.

Parcel A-1-D contains 1.306 acres, according to said plans.

LOT A-1-E:

A certain parcel of land shown as Lot A-1-E on a plan entitled "Plan of Land in Easton, Massachusetts, owned by Paramount Development Associates, Inc." dated March 26, 1982, and recorded with the Bristol County (North District) Registry of Deeds, in Plan Book 197, Page 30. Lot A-1-E is more particularly bounded and described, according to said plan, as follows:

NORTHEASTERLY by Bristol Drive, two hundred nineteen and 29/100 (219.29) feet;

NORTHEASTERLY EASTERLY and SOUTHEASTERLY by the intersection of Bristol Drive and Norfolk Avenue, seventy-eight and 54/100 (78.54) feet on a curve with a radius of fifty and 00/100 (50.00) feet;

SOUTHEASTERLY by Norfolk Avenue, two-hundred sixty-seven and 00/100 (267.00) feet;

SOUTHWESTERLY by Lot A-1-F, two hundred sixty-five and 29/100 (265.29) feet; and

NORTHWESTERLY by Parcel A-1-D, on two (2) courses, seventy-four and 62/100 (74.62) feet and two hundred sixty and 51/100 (260.51) feet.

Lot A-1-E contains 87,120 square feet (2.000 acres), according to said plan.

PERMITTED ENCUMBRANCES

1. Taxes for the fiscal year ending June 30, 1986, which are a lien not yet due and payable.

2. Easement to New England Telephone and Telegraph Company and Brockton Edison Company dated June 15, 1977, and recorded with said Deeds in Book 1737, page 623.

3. Declaration of Protective Covenants dated november 29, 1979, and recorded with said Deeds in book 2011, page 163, as affecfed by Certificate of Compliance dated June 27, 1985, and recoded in book 2742,Page 149.

4. Planning Board Covenant dated October 24, 1975, recorded with said Deeds in Book 1692, Page 369, as affected by Certification of Performance dated may 1,

1985, recoded with said Deeds in Book 2742, page 149.

5. Order of Conditions issued by the Easton Conservation Commission recorded with said Deeds in Book 1692, Page 364, as affected by Partial Certificates of Compliance recorded in Book 2535, page 344 and Book 2742, Page 148.

NONDISTRURBANCE AND SUBORDINATION AGREEMENT

TERMS:

Lessor:	SIMON D. YOUNG, Trustee of SANDPY REALTY TRUST Brockton, Massachuetts
Lessee:	WIGS BY PAULA, INC. West Bridgewater, Massachusetts
Mortgagee:	Rockland Trust Company, Trustee under an Indenture of even date between Lessor and the Town of Easton, MA
Lease:	A Lease dated July 10, 1985, of the hereinafter described leased premises by and among the Lessor and Lessee.
Leased Premises and Mortgaged Premises:	Lots A-1-C, A-1-D and A-1-E, Bristol Drive, Easton, Massachusetts, as more fully described in said Lease and in Lessor's Mortgage to the Mortgagee of even date hereof.

In order to induce Mortgagee to make the loan secured by the Mortgage, Lessor and Lessee agree that the Lease shall be subject and subordinate to the lien and priority of the Mortgage, to all the terms and provisions thereof, to all advances, payments and claims of any nature made or to be made thereunder and secured thereby and to any renewals, extensions, modifications or replacements thereof. The foregoing shall be subject to the provisions of the Mortgage whereby the holder thereof may as therein described subordinate the Mortgage to the Lease.

In the consideration of the foregoing subordination and in the event Mortgagee shall hereafter either foreclose such Mortgage and bid in or purchase the Mortgage Premises

at any foreclosure sale or sales, or shall acquire title to the Mortgaged Premises by deed or otherwise in lieu of foreclosure, Mortgagee agrees that:

A. If Lessee shall pay the rent and any other payments reserved or provided in the Lease, and shall keep, observe and perform all other terms, covenants, conditions, provisions and agreements contains in the Lease which Lessee

would have been obligated to keep, observe and perform if the Lease has survived such foreclosure, and provided no default exists under the Guaranty Agreement dated as of July 10, 1985, by and between Lessee, Mortgagee and the Town of Easton Massachusetts, Mortgagee shall, for the same period as the term of the lease would have continued absent such foreclosure, permit Lessee peaceably and quietly to continue in possession of the Leased Premises.

In no event shall Mortgagee and its successors and assigns, including and purchaser at a foreclosure sale be

A. liable for any act or omission of the Lessor, its successor or assigns, as landlord under the Lease;

B. subject to any offsets or defenses which Lessee might have against Lessor, its successors and assigns, as landlord under the Lease;

C. bound by any rent or additional rent which Lessee might have paid to the Lessor, its successors or assigns in advance of the time called for under the Lease;

D. bound by any amendment or modification of the Lease made without consent of Mortgagee; or

E. except as modified by Paragraph 2A above, required to restore the Mortgaged Premises in the event of destruction or damage by casualty or taking.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, but shall be binding upon Mortgagee and any succeeding holder of the Mortgage only during the

period it is a holder, and shall be binding upon any purchaser at a foreclosure sale or successor in title to such purchaser only during the period of its ownership.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this 10th day of July, 1985.

Mortgagee ROCKLAND TRUST COMPANY

By: /s/ John B. Nash, V.P.

Lessee: WIGS BY PAULA, INC.

By: /s/ Simon D. Young

Simon D. Young, President

COMMONWEALTH OF MASSACHUSETTS

COUNTY OF SUFFOLK SS. JULY 16, 1985

Then personally appeared before me the above-named John B. Nash, Vice President of ROCKLAND TRUST COMPANY, and acknowledged the foregoing to be the free act and deed of said Corporation.

/s/

NOTARY PUBLIC

Commission expires: Dec 20, 1985

COMMONWEALTH OF MASSACHUSETTS

COUNTY OF SS.

Then personally appeared before me the above-named Simon D. Young, President of WIGS BY PAULA, INC., and acknowledged the foregoing to be the free act and deed of said Corporation.

/s/ Kevin G. Tubridy

NOTARY PUBLIC Kevin G. Tubridy

Commission expires: 11/24/89

PLANS AND SPECIFICATIONS

	ORIGINAL DATE	LATEST REVISION DATE
1. ARCHITECTURAL PLANS (Prepared by John Sharratt Associates, Inc.)		
A-1 First Floor Plan	3/29/85	6/14/85

A-2	Second Floor Plan	3/29/85	6/14/85
A-3	Roof Plan	6/14/85	--
A-4	Elevations	3/25/85	6/14/85
A-5	Wall Sections	6/14/85	--
A-6	Window Elevations	6/14/85	--
A-7	Window Details	6/14/85	--
A-8	Door Schedule & Elevations	6/14/85	--
A-9	Lobby Plan	6/14/85	--
A-10	Lobby Sections	6/14/85	--
A-11	Stair Plans & Sections	6/14/85	--
A-12	Interior Plans & Elevations	6/14/85	--

2. STRUCTURAL PLANS (Prepared by Steel Structures, Inc.)

S-1	Floor Framing Plan	6/24/85	--
S-2	Roof Framing Plan	6/24/85	--

3. LANDSCAPE PLAN (Prepared by John Sharratt Associates, Inc.)

L-2	Landscape Plan	6/14/85	--

	ORIGINAL DATE	LATEST REVISION DATE
4. SITE PLAN		
Sandby Realty Trust, "Site Development Plan of Lots A-1-C, A-1-D and A-1-E, Bristol Drive Easton, Massachusetts," by Hayward-Boynton & Williams, Inc.	4/27/85	5/23/85

5. ARCHITECTURAL SPECIFICATION (Prepared by John Sharratt Associates, Inc.)

Simon Young Building Architectural Specifications (including architectural, structural, mechanical and electrical sections)	5/24/85	6/14/85

EXHIBIT 10.19

FIRST AMENDMENT TO LEASE

Reference is made to a Lease dated July 10, 1985 by and between Simon D. Young as Trustee of Sandpy Realty Trust under a Declaration of Trust dated January 2, 1985, recorded with Bristol County North District Registry of Deeds in Book 2700, Page 276, as lessor and Wigs by Paula, Inc., as Lessee, pertaining to premises on Bristol Drive, Easton, Massachusetts.

For valuable consideration paid said lease dated July 10, 1985, is hereby amended as follows:

1. Paragraph 4(a) thereof, entitled "Fixed Rent" is amended so as to delete the reference to "Three Hundred Four Thousand Five Hundred ($304,500.00) Dollars" in the third and fourth lines thereof and substitute "Four Hundred Eighty Thousand ($480,000,000) Dollars.

2. Paragraph 4(b)(iv) thereof is hereby deleted and the following new subparagraph substituted therefor:

> "The entire increased cost of Lessor's interest charges and other payments due under Industrial Revenue Bonds dated as of July 10, 1985 in the amount of $2,000,000.00, and $200,000 dated as of March 15, 1986, issued by the Town of Easton to finance the acquisition of the Leased Premises as provided in a Loan Agreement between said Town and Lessor ("the Loan Agreement") and an Indenture of Trust and Mortgage by and between Lessor, said Town, and Rockland Trust Company ("the Indenture"), also dated as of July 10, 1985 and supplemented as of March 15, 1986, that is, all interest and other charges under said bonds over and above the Tax Exempt Rate in effect on July 17, 1985. To the extent that said interest and other charges shall increase pursuant to the terms of said Bonds, the entire such increase shall be paid by the Lessee as additional rent".

3. All references in said lease to the Loan Agreement and the Indenture shall be deemed to include both the original instruments dated July 10, 1985 and the Supplements thereto dated march 15, 1986.

4. In all other aspects not inconsistent with the foregoing, said Lease dated July 10, 1985 shall remain in full force and effect in accordance with its terms.

Executed under seal as of this 15th day of March, 1986.

Witness: SANDPY REALTY TRUST

/s/ Maureen T. Whalen

By /s/ Simon D. Young, Trustee

Simon D. Young, Trustee

WIGS BY PAULA, INC.

/s/ Caroline S. Taylor

By /s/ Simon D. Young, President

Simon D. Young, President

Rockland Trust Company hereby consents to the within First Amendment to Lease related to premises at 21 Bristol Drive, Easton, Massachusetts, owned by Sandpy Realty Trust and leased to Wigs by Pauls, Inc.

ROCKLAND TRUST COMPANY

By: /s/ John C. Hutch

First Vice President

EXHIBIT 10.20

Second Amendment to Lease

Reference is made to a Lease dated July 10, 1985 by and between Simon D. Young as Trustee of Sandpy Realty Trust under a Declaration of Trust dated January 2, 1985, recorded with Bristol County North District Registry of Deeds in Book 2700, Page 276, as Lessor (hereinafter referred to as "Lessor") and Wigs by Paula, Inc., a Massachusetts corporation as Lessee, (hereinafter referred to as "Lessee"), pertaining to premises on Bristol Drive, Easton, Massachusetts more fully described therein, as amended by First Amendment to Lease dated March 15, 1986 (said Lease as amended being hereinafter referred to as the "Lease").

For Ten Dollars ($10.00) and other good and valuable consideration, each to the other paid, the receipt and sufficiency of which is hereby acknowledged Lessor and Lessee hereby further amend the Lease as follows:

1. The effective date of this Second Amendment to Lease (the "Effective Date") as between Landlord and Tenant shall be January 1, 1989.

2. Section 1 of the Lease entitled "Demise of Premises" is hereby amended by substituting for Schedule A referred to therein and attached to the Lease, Schedule A attached to this Second Amendment to Lease.

3. Paragraph 3 of the Lease entitled "Term" is hereby deleted and the following substituted in lieu thereof:

(a) The initial term of this Lease (the "Initial Term") commenced on April 15, 1986 (the "Commencement Date") and shall expire on December 31, 1993, subject to Lessee's option to extend the term of this Lease as set forth below and subject to earlier termination pursuant to the provisions hereof.

(b) Lessee shall have the option to extend the term of this Lease for one (1) additional period of five (5) years (the "Extension Period") provided that (1) Lessee shall exercise said option by notice to Lessor given pursuant to Paragraph 16 of this Lease at least six (6) months prior to the expiration of the Initial Term of this Lease, and (2) this Lease shall be in full force and effect and Lessee shall not be in default beyond any applicable notice or grace period under any of the terms of this Lease at the expiration of the Initial Term of this Lease, and (3) such Extension Period shall be upon the same terms, convenants and conditions as are contained in this Lease except that Fixed Rent shall be determined pursuant to the final paragraph of Paragraph 4(a) hereof."

4. The first sentence of Paragraph 4(a) of the Lease entitled "Fixed Rent" is hereby deleted and the following substituted in lieu thereof:

"Lessee convenants and agrees to pay Lessor without offset or reduction, and without previous demand therefor Fixed Rent at the rate of $480,000. Per

annum during the five (5) year period commencing on the Effective Date.

There is hereby added to Paragraph 4(a) of the Lease entitled "Fixed Rent" the following additional paragraph:

In the event that Lessee shall exercise its option to extend the term of this Lease pursuant to Paragraph 3(b) hereof annual Fixed Rent during the Extension Period shall

be an amount per annum equal to the Fair Market Rental for the Leased Premises as agreed upon by the parties as of a date which is one hundred twenty (120) days prior to the commencement of the Extension Period (the "Rental Determination Date"), but in no event shall annual Fixed Rent during the Extension Period be less than $300,000. Fair Market Rental shall be determined taking into account the terms and provisions of this Lease, including, without limitation, the uses permitted hereunder, but without taking into account the Fixed Rent otherwise payable hereunder. If the parties are unable to agree on said Fair Market Rental as of the Rental Determination Date, said question shall be submitted to arbitration as provided in Exhibit B-1 hereto. Pending the determination of Fair Market Rental, Lessee shall continue to pay Fixed Rent at the previous rate until Fair Market Rental is finally determined, at which time any difference between the Fixed Rental paid and such Fair Market Rental for such interim period shall become immediately due and payable by Lessee or reimbursed by Lessor, as the case may be.

5. Paragraph 4(b) of the Lease entitled "Additional Rent" is hereby amended as follows:

(a) by deleting Paragraph 4(b)(iv) of the Lease, providing for payment by the Lessee of increased cost of Lessor's interest charges and other payments under Lessor's Industrial Revenue Bond Financing.

(b) by deleting the sentence following Paragraph 4(b)(iv) of Lease, which places a minimum upon Fixed Rent and Additional Rent at the amount payable by Lessor as Loan Payments and Additional Payments under Lessor's Industrial Revenue Bond Financing.

6. Paragraphs 12 and 13 of the Lease are hereby amended as follows:

(i) Paragraph 12(a) of the Lease entitled "Lessor's Restoration Obligation" is hereby amended by adding after the word "destruction" in the fifth line thereof the words "provided that such proceeds are made available for restoration by the Institutional First Mortgagee and provided."

(ii) Paragraph 12(c) of the Lease entitled "Lessee's Right to Terminate" is hereby amended by adding after the words "original term" in the 10th line thereof the words "if not extended pursuant hereto."

(iii) Paragraph 13(d) of the Lease entitled "Restoration" is hereby amended by adding after the words "Lessor shall" in the second line thereof the words

"provided that such proceeds are made available for restoration by the Institutional First Mortgagee and provided."

7. Paragraph 8(a) of the Lease entitled "use" is hereby amended by adding the following to the end thereof:

"Without limiting the generality of the foregoing, so long as Lessor's Industrial Revenue Bond financing is in effect, Lessee shall not use or allow the use of the Leased Premises other than as an industrial development facility, as defined in Massachusetts General Laws Chapter 40D, and in no event shall the Leased Premises be used contrary to the provisions of Section 144(a)(8) of the Internal Revenue Code of 1986."

8. Paragraph 8(d) of the Lease entitled "Alterations to Building; Removal of Fixtures" is hereby amended as

follows:

(i) There is hereby deleted from the final paragraph of Paragraph 8(d) of the Lease the words "and of certain components of the Building included in the initial construction under Paragraph 22 hereof."

(ii) There is also hereby deleted from the final paragraph of Paragraph 8(d) of the Lease subdivision (c) thereof, relating to removal of certain components of the initial construction carried out pursuant to Paragraph 22 of the Lease.

(iii) there is hereby inserted at the end of Paragraph 8(d) the following sentence:

"Lessee shall at Lessor's request remove at the expiration or termination of the term of this Lease (i) any non-structural items previously referred to in this Paragraph 8(d) which shall have been installed by Lessee or anyone claiming under Lessee and (ii) any structural items previously referred to in this Paragraph 8(d) which shall have been installed by Lessee or anyone claiming under Lessee, provided that Lessor shall have required such removal as a condition of giving consent to the construction or installation thereof."

9. The last four lines of Paragraph 9(a) (ii) are hereby deleted.

10. Paragraph 9(c) of the Lease is hereby amended by inserting the following sentences at the end thereof. "In all events the public liability and casualty insurance to be maintained pursuant hereto shall meet or exceed all requirements of any permitted Institutional First Mortgage documentation as to limits of coverage, the form of insurance required and as to the insurance companies issuing such policies, provided, however that the limits of coverage, form of insurance and requirements as to insurance companies (including, without

limitation, ratings of insurance companies) shall be consistent with the requirements of Institutional First Mortgagees for similar types of uses and similar buildings located within the area in which the Leased Premises are located. Lessee shall name the Institutional first Mortgagee as "Additional Insured" on all liability insurance policies unless otherwise instructed by the Institutional First Mortgagee."

11. There is hereby substituted in lieu of the clause beginning with the word "then" and ending with the words "this lease shall be terminated" which follows subdivision (v) of Paragraph 14 of the Lease the following:

"Each of the foregoing events shall constitute a "default" or "Event of Default" hereunder. This Lease is made on the condition that, if a default or an Event of Default occurs, Lessor may immediately or at any time thereafter exercise one or more of the following remedies, consecutively or simultaneously, without notice or demand:

(a) Lessor may bring suit for damages or specific performance for the collection of unpaid rent or the performance of any of Lessee's obligations, all either with or without entering into possession or terminating this Lease;

(b) Lessor may, at its option, give Lessee a notice terminating this Lease on a date not less than ten (10) business days after Lessor gives such notice, and upon such date this Lease shall terminate and all rights of Lessor shall cease

without further notice or lapse of time, Lessee hereby waiving all statutory rights, including rights of redemption, if any. Upon termination of this Lease, Lessee shall surrender the Leased Premises to Lessor. Lessor may remove Lessee's property and store it in a public warehouse at the expense and risk of Lessee.

The remainder of Paragraph 14 of the Lease shall remain unmodified.

12. Paragraph 11 of the Lease entitled "Assignment by Lessee and Subletting" is hereby deleted and the following substituted in lieu thereof:

Assignment by Lessee and Subletting. Provided that Lessee is not in default under this Lease beyond any applicable notice or grace period, Lessee may sublet the whole of the Leased Premises or may sublet the Leased Premises in part in accordance with the fourth paragraph of this Paragraph 11, or may assign all of its rights and interests under this Lease provided that (a) any such transferee other than a sublessee of a part of the Leased Premises shall expressly agree with Lessor in writing, to assume and pay and perform Lessee's obligations hereunder, (b) any such subletting or assignment (and any further sublease or assignment thereafter), shall be subject to the terms of outstanding financing

and to the prior written approval of Lessor, (c) Lessee shall, nevertheless, remain primarily liable hereunder in any event. Lessor shall not withhold its consent to a proposed transferee if (1) the overall financial position of the transferee shall be equivalent to the overall financial position of the Lessee on December 31, 1988 or at the time of transfer, whichever is greater, (2) the use by the transferee is both (i) a use permitted by Paragraph 8 of this Lease and (ii) a use which would not materially adversely affect the Fair Market Value of the Building or the Land and (3) if the Industrial Revenue Bond financing is in effect, neither the proposed transferee nor its use of the Leased Premises will cause the industrial revenue bonds issued pursuant thereto to lose their exemption from Massachusetts or Federal taxes.

Provided that Lessee is not in default under this Lease beyond any applicable notice or grace period, Lessee may, without the consent of Lessor, assign this lease, or sublet the whole of the Leased Premises or sublet the Leased Premises in part in accordance with the fourth paragraph of this Paragraph 11 to any corporation into which the Lessee shall be merged or consolidated, or any corporation which shall acquire all or substantially all of the assets of Lessee provided that (a) any such transferee other than a sublessee of a part of the Leased Premises shall expressly agree with Lessor in writing to assume and pay and perform Lessee's obligations hereunder, (b) any such subletting or assignment (and any further sublease or assignment thereafter), shall be subject to the terms of outstanding financing, (c) Lessee shall, nevertheless remain primarily liable hereunder in any event, (d) any acquiring or resulting corporation has immediately subsequent to such transaction an overall financial position equivalent to the greater of (i) the overall financial position of the Lessee as of December 31, 1988 or (ii) the overall financial position of the Lessee on the proposed date of such transaction, and (e) the use of the Leased Premises by the transferee shall be both (i) a use permitted by Paragraph 8 of this Lease and (ii) either (a) a continuation of the use by Lessee of the Leased Premises prior to such transaction or (b) a use which would not materially adversely affect the Fair Market Value of the Building or the Land, and (f) if the

Industrial Revenue Bond financing is in effect, neither the proposed transferee nor its use of the Leased Premises will cause the industrial revenue bonds issued pursuant thereto to lose their exemption from Massachusetts or Federal taxes. Provided that Lessee is not in default under this Lease beyond any applicable notice or grace period Lessee may also without the consent of Lessor assign this Lease or sublet the entire Leased Premises or sublet the Leased Premises in part in accordance with the fourth paragraph of this Paragraph 11 to an affiliated corporation of Lessee, provided that (a) such affiliated corporation shall expressly agree with Lessor in writing to assume and pay and perform Lessee's obligations hereunder and (b) Lessee shall nevertheless remain primarily liable hereunder in any event (c) that the use of the Leased Premises by the transferee shall be both (i) a use permitted by Paragraph 8 of this Lease and (ii) either (a) a continuation of the use by Lessee of the Leased Premises

prior to such transaction or (b) a use which would not materially adversely affect the Fair Market Value of the Building or the Land, (d) if the Industrial Revenue Bond financing is in effect, neither the proposed transferee nor its use of the Leased Premises will cause the industrial revenue bonds issued pursuant thereto to lose their exemption from Massachusetts or Federal taxes, and (e) such affiliated corporation shall be a corporation which either (i) controls Lessee by holding at least 50% of the equity interest and voting power in Lessee or (ii) is controlled by Lessee by Lessee's holding at least 50% of the equity interest and voting power in the affiliated corporation or (iii) is controlled by a parent corporation which also controls Lessee, which parent corporation owns at least 50% of the equity interest and voting power in each of Lessee and the affiliate.

For purposes hereof, a sale or transfer of more than fifty percent (50%) of the stock in Lessee (whether such sale or transfer occurs at one time or at intervals so that, in the aggregate, over the term of this Lease, such a transfer shall have occurred) shall be deemed to be an "assignment" of this Lease.

Lessee may sublet a portion of the Leased Premises to a single subtenant while occupying the remainder of the Leased Premises or may sublet the Leased Premises to no more than two subtenants if Lessee is not occupying any portion of the Leased Premises, subject in all events to the applicable requirements and conditions for subletting of the Leased Premises as set forth above.

Any transaction described in this Paragraph 11 (including, but not limited to, a merger, consolidation, transfer of substantially all of the assets of Lessee or assignment or subletting to an affilate) shall be deemed to be an "assignment or subletting" for all purposes in connection with this Lease whether or not Lessor's consent is required for such transaction.

Lessee shall as a condition to the effectiveness of any transaction described in this Paragraph 11 (and deemed to be an "assignment or subletting" as aforesaid) give Lessor prior written notice of such transaction at least thirty (30) days prior to the effective date thereof, whether or not Lessor's consent to such transaction is required hereunder. Lessor may deal with any assignee or sublessee (including the acceptance of rental therefrom) without being deemed to have approved any such assignment or subletting and without waiving any rights or remedies against Lessee. All subleases shall be subject to this Lease and the terms and provisions hereof.

In the event of any assignment of this Lease or subletting of the Leased Premises, fifty percent (50%) of

any profit received by Lessee on account of such assignment or subletting (whether in a lump sum or installments) on account of such assignment or subletting or otherwise) net of any expenses attributable to such assignment or

subletting shall be deemed rent payments to Lessor and shall be paid over the Lessor immediately upon receipt thereof.

13. Paragraph 16 of the Lease is hereby amended to provide that copies of notices to Lessee shall be sent to R. Timmis Ware, Esq., Townley & Updike, Chrysler Building, 405 Lexington Avenue, New York, New York 10174. Copies of notices to Lessor shall continue to be sent go Neil N. Glazer, Esq. at the address set forth in the Lease.

14. There is hereby added to the Lease an additional Paragraph 23 entitled "Option to Purchase", as follows:

"Provided that this Lease is in full force and effect and Lessee is not in default of its obligations hereunder at the time of closing and provided that SC Corporation, the parent corporation of Wigs By Paula, Inc., shall not be in default under that certain Promissory Note dated as of January 1, 1989 from SC Corporation, as maker payable to the order of Simon D. Young in the principal sum of $1,500,000. at the time of closing, Lessee shall have the right and option to purchase the Leased Premises (a) at the expiration of the Initial Term of this Lease, or (b) at the expiration of the Extension Period, if Lessee extends the term of this Lease pursuant to Paragraph 3(b) hereof. Said option shall be exercised by giving notice to the Lessor of such intention in accordance with Paragraph 16 of this Lease no later than nine (9) months prior to the expiration of the Initial Term or Extension Period, as the case may be (the "Exercise Date"). Nothing herein contained shall be deemed to cause or allow any option in favor of Lessee to purchase the Demised Premises to survive a foreclosure sale by any Institutional First Mortgagee effected pursuant to applicable law. Said purchase shall be on the following terms and conditions:

(a) Purchase Price. The purchase price shall be the Fair Market Value of the Leased Premises as agreed upon by the parties as of a date which is six (6) months prior to the expiration of the Initial Term or Extension Term, as the case may be ("the Determination Date"). If the parties are unable to agree on said Fair Market Value as of the Determination Date, said question shall be submitted to arbitration as provided in Exhibit B-2 hereto.

(b) Title. The deed for the Leased Premises shall be the usual quitclaim deed in form for recording and shall be duly executed and acknowledged by Lessor, so as to convey to the Lessee good, record and marketable fee simple title to the Leased Premises free of all encumbrances except as hereinafter stated. Title to the Leased Premises shall be conveyed subject only to the following: (i) building, zoning, and other legal requirements affecting the Leased Premises; (ii) the Leased Premises are to be conveyed "as is"; (iii) this Lease any subleases created hereunder; (iv) real estate taxes and other matters for which Lessee is responsible as "Additional Rent" and (v) those liens and encumbrances set forth on Exhibit C-1 to this Lease plus any liens or encumbrances created at Lessee's request or with Lessee's consent plus any liens or encumbrances subject to which Lessee must accept title pursuant to subdivision (f) hereof if Lessee has not revoked its exercise of its option pursuant to subdivision (f) hereof. Notwithstanding anything contained herein to the contrary, Lessor shall be obligated to deliver the Leased Premises free of

all mortgages, collateral assignments of the Lessor's interest in leases, uniform commercial code financing statements and similar financing documents, including,

without limitation, the existing Industrial Revenue Bond Financing and any other Institutional First Mortgages, all of which shall be paid in full as of the closing.

(c) Casualty; Eminent Domain. If after the exercise of the option by the Lessee there shall be a taking, or if the Leased Premises shall be damaged or destroyed by fire or other casualty, then, provided that Lessee shall have complied with its obligations under the Lease with respect to payment of the entire cost of Lessor's Insurance as provided in Paragraph 4(b), Paragraph 8(d) and Paragraph 9 of this Lease, Lessee shall have the right to elect either of the following options, (i) Lessee shall have the right nevertheless to complete the purchase and to pay the purchase price without reduction and all proceeds of takings or insurance proceeds, as the case may be, recovered or recoverable on account thereof, shall be paid over or assigned to Lessee; or (ii) Lessee may elect to revoke its exercise. In the event that Lessee shall not have complied with its obligations under the Lease with respect to payment of the entire cost of Lessor's Insurance as provided in Paragraph 4(b), Paragraph 8(d) and Paragraph 9 of the Lease, then, in the event the Leased Premises shall be damaged in destroyed by fire or other casualty, Lessee may not elect to revoke its exercise of the purchase option but must complete the purchase and pay the purchase price without reduction and all insurance proceeds, if any, recovered or recoverable on account thereof, shall be paid over or assigned to Lessee. For purposes of this paragraph a default in payment of fixed rent, additional rent or any other charges hereunder which shall not have been remedied prior to the earlier of (i) the expiration of applicable notice and grace period or (ii) the date of closing, shall be deemed to be a failure to pay the cost of Lessor's Insurance as required by this Lease.

(d) Closing. The closing shall take place at the offices of Singer, Stoneman, Kunian & Kurland, P.C., or such other place as Lessor and Lessee shall reasonably agree, at 10:00 a.m., on the first business day following expiration of the Initial Term or the Extension Period, as the case may be. The Purchase Price shall be payable in immediately available funds via federal funds wire received by a Boston Bank designated by Lessor on the closing date. Fixed Rental, Additional Rental and other charges hereunder shall be prorated as of the closing date.

(e) Postponement of Closing; Payment of Rent. In the event that the closing shall take place after the expiration of the Initial Term or Extension Period as the case may be of this Lease, Lessee shall continue to be responsible for all of its obligations hereunder until title has passed and the purchase is consummated, including, without limitation, the payment of Fixed Rent, Additional Rent and other amounts payable hereunder, and shall continue to

possess its rights hereunder. In the event that Lessee shall have elected to purchase the Leased Premises at the expiration of the Initial Term of this Lease and the Closing shall be delayed beyond the expiration of the Initial Term, then in lieu of requiring a determination of Fair Market Rental, Fixed Rent shall be payable from the time of expiration of the Initial Term until the time of closing a the rate of $300,000. per annum, prorated on a per diem basis. Notwithstanding the foregoing, if such delay is solely the result of a failure or inability by the Lessor to satisfy a condition for closing to be satisfied by Lessor and Lessee, or a person claiming under Lessee, is not occupying the Leased Premises during such period, then Lessee shall not be responsible for performing the obligations of the Lessee under the Lease during such period.

It is understood and agreed that if as a result of a delay in the closing which is not the result of a default

of the Lessee, the closing shall take place after the Initial Term or Extension Period has expired in accordance with its terms, such delay shall be considered to be an exception to the requirement that the Lease be in full force and effect at the time of the Closing.

(f) Lessor may use any portion of the purchase price to discharge any title matters. In the event that the Leased Premises shall be encumbered by any liens or encumbrances which are not set forth on Exhibit C-1 then: (a) if the Leased Premises are encumbered by any liens or encumbrances not set forth on Exhibit C-1 which have been voluntarily created by Lessor (other than liens or encumbrances created by Lessee or at Lessee's request or with Lessee's consent) which by their terms can be removed by the payment of a liquidated sum (such as, but not limited to a mortgage) then Lessor shall be obligated to remove such liens or encumbrances as of the Closing Date then Lessee as its sole and exclusive remedy shall either (i) revoke its exercise of the purchase option by notice to Lessor given by personal delivery to Lessor at the Closing or (ii) proceed to a closing in which event Lessee shall be obligated to remove such liens and encumbrances including any necessary costs or expenses relating there to; (b) if the leased Premises are encumbered by any liens or encumbrances not set forth on Exhibit C-1 which have been voluntarily created by Lessor (other than liens or encumbrances created by Lessee or at Lessee's request or with Lessee's consent) which cannot by their terms be removed by the payment of a liquidated sum but which may be able to be cured by the payment of money (such as but not limited to a lis pendens), then Lessor shall use its best efforts prior to the Closing Date to remove such liens and encumbrances by payment of up to One Hundred Thousand ($100,000.00) dollars in the aggregate and if all such liens and encumbrances shall not be removed prior to the Closing Date then Lessee shall as its sole and exclusive remedy either (1) revoke its exercise of the purchase option by notice to Lessor (given by personal delivery to Lessor at the closing), or (2) proceed to a closing subject to all liens and encumbrances then existing without reduction in the Purchase Price, (C) if the Leased Premises are encumbered by any liens or encumbrances not set forth on Exhibit

C-1 which have not been created voluntarily by Lessor (other than liens or encumbrances created by Lessee or at Lessee's request or with Lessee's consent) then Lessor shall not be obligated to remove or to endeavor to remove such liens and encumbrances and Lessee as its sole and exclusive remedy shall either (i) revoke its exercise of the purchase option by notice to Lessor (given prior to the Determination Date) or (ii) proceed to a closing subject to all liens and encumbrances then existing, without reduction in the Purchase Price.

In the event that there shall be any zoning violations affecting the Leased Premises or in the event that the use of the Leased Premises by the Lessee for warehouse, distribution center and related administrative office purposes shall be prohibited by applicable zoning requirements, then Lessee may elect as its sole remedy on account thereof either (1) to proceed to a closing subject to all applicable zoning requirements and without reduction in the purchase price otherwise payable hereunder or (2) to revoke its exercise of its purchase option by notice to Lessor given prior to the Determination Date. Lessor shall be under no obligation to undertake to remedy any such situation.

There is hereby substituted for Schedule C to the Lease, Schedule C in the form attached hereto.

15. Except as modified hereby, the Lease shall remain unmodified in full force and effect.

Executed as sealed instrument. Dated: March 1, 1989

WITNESS:

/s/ Neil N Glaz

SANDPY REALTY TRUST

By: /s/ Simon D. Young

Simon D. Young, as Trustee
and aforesaid but not individually

WIGS BY PAULA, INC.

/s/ Neil N. Glaz

By: /s/ Simon D. Young

Simon D. Young, President

SCHEDULE A-1

Premises shown as Lot A-1-H on a Plan entitled Plan of Land in Easton, Massachusetts, owned by Sandpy Realty Trust, Simon D. Young, Trustee, Scale 1" = 40', dated December 28, 1988, prepared by Hayward-Boynton & Williams, Inc.,

Surveyors, Civil Engineers, 140 School Street, Brockton, Massachusetts, and outlined in red on the copy of the aforesaid Plan of Land attached hereto, being a portion of the premises described in Schedule A-2 hereto.

SCHEDULE A-1

Page 2 of 2

[MAP]

[PLAN OF LAND IN EASTON, MASSACHUSETTS]

SCHEDULE A-2

Page 1 of 2

A certain parcel of land shown as Parcel A-1-C on a plan entitled "Plan of Land in Easton, Massachusetts, owned by Carl and Albertina R. Kempf" dated January 21, 1977, by Hayward-Boynton & Williams, Inc. and recorded with the Bristol County (North District) Registry of Deeds in Plan Book 162, Page 75. Parcel A-1-C is more particularly bounded and described, according to said plan, as follows:

NORTHEASTERLY	by Bristol Drive, one hundred fifty and 00/100 (150.00) feet;
SOUTHEASTERLY	by Parcel A-1-D, three hundred ninety-one and 98/100 (391.98) feet;
SOUTHWESTERLY	by land of Carl A. And Albertina R. Kempf, one hundred fifty-two and 85/100 (152.85) feet; and
NORTHWESTERLY	by Parcel A-1-B, four hundred twenty-one and 54/100 (421.54) feet.

Parcel A-1-C contains 1.401 acres, according to said plan.

PARCEL A-1-D:

A certain parcel of land shown as Parcel A-1-D on said plan recorded in Plan Book 162, Page 75 and being more particularly bounded and described, according to said plan, as follows:

NORTHEASTERLY	by Bristol Drive, one hundred fifty and 00/100 (150.00) feet;
SOUTHEASTERLY	by Parcel A-1-E, on two (2) courses, two hundred sixty and 51/100 (260.51) feet and one hundred and 68/100 (100.68) feet;

SOUTHWESTERLY by land of Carl A. And Albertina R. Kempf, one hundred fifty-nine and 24/100 (159.24) feet; and

NORTHWESTERLY by Parcel A-1-C, three hundred ninety-one and 98/100 (391.98) feet.

Parcel A-1-D contains 1.306 acres, according to said plan.

LOT A-1-E:

A certain parcel of land shown as Lot A-1-E on a plan entitled "Plan of Land in Easton, Massachusetts owned by Paramount Development Associates, Inc." dated March 26, 1962, and recorded with the Bristol County (North District) Registry of Deeds in Plan Book 197, Page 30. Lot A-1-E is more particularly bounded and described, according to said plan, as follows:

NORTHEASTERLY by Bristol Drive, two hundred nineteen and 29/100 (219.29) feet;

NORTHEASTERLY, EASTERLY AND SOUTHEASTERLY by the intersection of Bristol Drive and Norfolk Avenue, seventy-eight and 54/100 (78.54) feet on a curve with a radius of fifty and 00/100 (50.00) feet;

SOUTHEASTERLY by Norfolk Avenue, two hundred sixty-seven and 00/100 (267.00) feet;

SOUTHWESTERLY by Lot A-1-F, two hundred sixty-five and 29/100 (265.29) feet; and

NORTHWESTERLY by Parcel A-1-D, on two (2) courses, seventy-four and 62/100 (74.62) feet and two hundred sixty and 51/100 (260.51) feet.

Lot A-1-E contains 87,120 square feet (2.000 acres), according to said plan.

EXHIBIT B-1

If the parties are unable to agree on said Fair Market Rental as of the Determination Date, said question shall be submitted upon either party's request to a board of appraisers two (2) in number, one named by Lessor and one named by Lessee. Each appraiser appointed under this paragraph shall be a reputable real estate broker of industrial and office space with at least ten (10) years experience in the Boston Metropolitan Area. Each appraiser so appointed shall be

instructed to determine independently the Fair Market Rental within thirty (30) days after the request of either party. If only one appraiser shall have been appointed within ten (10) days after the first party's request, or if two appraisers shall have been appointed, but only one appraiser shall have made determination of Fair Market Rental within thirty (30) days after the request of either party, then the determination of such appraiser shall be final and binding upon both parties. If the appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above, and if the difference between the amounts so determined shall not exceed ten (10%) percent of the lesser of such amount, then the Fair Market Rental shall be the average of the amounts determined; if, however, the difference between the amounts determined shall exceed ten (10%) percent of the lesser of such amounts, then such two appraisers shall have ten (10) days to appoint a third appraiser, but if such appraisers fail to do, then either party may request the President of the Greater Boston Real Estate Board to appoint an appraiser within ten (10) days of such request. Such third appraiser shall also be a reputable estate broker of industrial and office space with at least ten years experience in the Boston Metropolitan Area, and shall not have acted in any capacity for either party within five (5) years of his selection. Both parties shall be bound by any appointment

so made within said ten (10) day period. If no such appraiser shall have been appointed within said ten (10) days, either party may apply to any court having jurisdiction to make such appointment. Any appraiser appointed by the original appraisers, by the President of the Greater Boston Real Estate Board, or by the court, shall be instructed to determine the Fair Market Rental within thirty (30) days after his appointment. If the amount of the third appraisal shall be less than the lower of the first two appraisals, the Fair Market Rental shall be the lower of the first two appraisals. In all other cases, the Fair Market Rental shall be equal to the third appraisal. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by law.

Each party shall bear the costs of its own appraiser, and shall share equally the cost of a third appraiser, if any.

EXHIBIT B-2

If the parties are unable to agree on said Fair Market Value as of the Determination Date, said question shall be submitted upon either party's request to a board of appraisers two (2) in number, one named by Lessor and one named by Lessee. Each appraiser appointed under this paragraph shall be a reputable real estate broker of industrial and office space with at least ten (10) years experience in the Boston Metropolitan Area. Each appraiser so appointed shall be instructed to determine independently the Fair Market Value within thirty (30) days after the request of either party. If only one appraiser shall have been appointed within ten (10) days after the first party's request, or if two appraisers shall have been appointed, but only one appraiser shall have made a determination of Fair Market Value within thirty (30) days after the request of

either party, then the determination of such appraiser shall be final and binding upon both parties. If two appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above, and if the difference between the amounts so determined shall not exceed ten (10%) percent of the lesser of such amounts, then such two appraisers shall have ten (10) days to appoint a third appraiser, but if such appraisers fail to do so, then either party may request the President of the Greater Boston Real Estate Board to appoint an appraiser within ten (10) days of such request. Such third appraiser shall also be a reputable real estate broker of industrial and office space with at least ten (10) years experience in the Boston Metropolitan Area, and shall not have acted in any capacity for either party within five (5) years of his selection. Both parties shall be bound by any appointment

so made within said ten (10) day period. If no such appraiser shall have been appointed within said ten (10) days, either party may apply to any court having jurisdiction to make such appointment. Any appraiser appointed by the original appraisers, by the President of the Greater Boston Real Estate Board, or by the court, shall be instructed to determine the Fair Market Value within thirty (30) days after his appointment. If the amount of the third appraisal shall be less than the lower of the first two appraisals, the Fair Market Value shall be the lower of the first two appraisals. In all other cases, the Fair Market Value shall be equal to the third appraisal. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by law.

Each party shall bear the costs of its own appraiser, and shall share equally the cost of a third appraiser, if any.

SCHEDULE C

AMENDED NONDISTURBANCE AND SUBORDINATION AGREEMENT

TERMS:

Lessor:	SIMON D. YOUNG, Trustee of SANDPY REALTY TRUST under Declaration of Trust dated January 2, 1985, recorded with Bristol North Registry of Deeds in Book 2700, Page 276, of Brockton, Massachusetts.
Lessee:	WIGS BY PAULA, INC. 21 Bristol Drive Easton, MA 02375
Mortgagee:	Rockland Trust Company, under an Indenture of Trust and Mortgage dated as of July 10, 1985 between Lessor and the Town of Easton, MA , as amended and supplemented by First Amendment to Indenture of Trust and Mortgage and Agreement dated as of March 15, 1986

("the Indenture").

Lease: A Lease dated July 10, 1985, by and between the Lessor and Lessee as amended by First Amendment to lease dated March 15, 1986 and by Second Amendment to lease dated March 1, 1989 and having an Effective Date as between Lessor and Lessee of January 1, 1989.

Leased Premises: The land described on Schedule A-1 hereto together with all buildings and improvements now or hereafter located thereon and all easements, rights, restrictions and appurtenances relating to such land.

Mortgaged Premises: Premises on Bristol Drive, Easton, Massachusetts as more fully described in the Indenture.

1. In order to induce Mortgagee to maintain the loan secured by the Mortgage, Lessor and Lessee agree that the Lease shall be subject and subordinate to the lien and priority of the Mortgage, to all the terms and provisions thereof, to all advances, payments and claims of any nature made or to be made thereunder and secured thereby and to any renewals, extensions, modifications or replacements thereof. The foregoing shall be subject to the provisions of the Mortgage whereby the holder thereof may as therein described subordinate the Mortgage to the Lease.

2. In consideration of the foregoing subordination of the Lease to the Mortgage and in the event Mortgagee shall hereafter either foreclose such Mortgage and bid in our purchase the Mortgaged Premises at any foreclosure sale or sales, or acquire title to the Mortgaged Premises by deed or otherwise in lieu of foreclosure, Mortgagee agrees that:

   A. If Lessee shall pay the rent and any other payments reserved or provided in the Lease, and shall keep, observe and perform all the other terms, covenants, conditions, provisions and agreements contained in the Lease which Lessee would have been obligated to keep, observe and perform if the Lease had survived such foreclosure, Mortgagee shall, for the same period as the term of the Lease would have continued absent such foreclosure, permit Lessee peaceably and quietly to continue in possession of the Leased Premises. Nothing herein contained shall be deemed to cause or allow any option in favor of Lessee to purchase the Leased Premises to survive a foreclosure sale by Mortgagee effected pursuant to applicable law.

3. In no event shall Mortgagee and its successors and assigns, including any purchaser at a foreclosure sale, be:

   A. liable for any act or omission of the Lessor, its successors or assigns, as landlord under the Lease;

   B. subject to any offsets or defenses which Lessee might have against

Lessor, its successors and assigns, as landlord under the Lease;

C. bound by any rent or additional rent which Lessee might have paid to the Lessor, its successors or assigns in advance of the time called for under the Lease;

D. bound by any amendment or modification of the Lease made without consent of Mortgagee; or

E. except as modified by Paragraph 2A above, required to restore the Mortgaged Premises in the event of destruction or damage by casualty or taking.

4. Lessee does hereby confirm its agreement to attorn to Mortgagee as provided in Section 10 (a) of the Lease.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, but shall be binding upon Mortgagee and any succeeding holder of the Mortgage only during the period it is a holder, and shall be binding upon any purchaser at a foreclosure sale or successor in title to such purchaser only during the period of its ownership.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this 1st day March, 1989.

Mortgagee: ROCKLAND TRUST COMPANY

By: _____

Lessee: WIGS BY PAULA, INC.

By: _____
Simon D. Young, President

COMMONWEALTH OF MASSACHUSETTS _____ , 1989

COUNTY OF , SS.

Then personally appeared before me the above-named _____ , _____ of ROCKLAND TRUST COMPANY, and acknowledged the foregoing to be the free act and deed of said Corporation.

NOTARY PUBLIC

My Commission Expires:

STATE OF _____ , 1989

COUNTY OF , SS.

Then personally appeared before me the above-named Simon D. Young, President and Treasurer of WIGS BY PAULA, INC., and acknowledged the foregoing to the free act and deed of said Corporation.

NOTARY PUBLIC

My Commission Expires:

EXHIBIT 10.21

THIRD AMENDMENT TO LEASE

Reference is made to a Lease dated July 10, 1985 by and between Simon D. Young as Trustee of Sandpy Realty Trust under a Declaration of Trust dated January 2, 1985, recorded with Bristol County North District Registry of Deeds in Book 2700, Page 276, as Lessor (hereinafter referred to as "Lessor") and Wigs by Paula, Inc., a Massachusetts corporation as Lessee (hereinafter referred to as "Lessee"), pertaining to premises on Bristol Drive, Easton, Massachusetts more fully described therein, as amended by First Amendment to Lease dated March 15, 1986, and as further amended by Second Amendment to Lease dated March 1, 1989 (said Lease as amended being hereinafter referred to as the "Lease").

For Ten Dollars ($10.00) and other good and valuable consideration, each to the other paid, the receipt and sufficiency of which is hereby acknowledged by Lessor and Lessee hereby further amend the Lease as follows:

1. The effective date of this Third Amendment to Lease (the "Effective Date") as between Landlord and Tenant shall be the date hereof.

2. Paragraph 3 of the Lease entitled "Term" is hereby deleted and the following substituted in lieu thereof: "The term of this Lease commenced on April 15, 1986 (the "Commencement Date") and shall expire as of the one hundred twentieth (120th) day after either Lessor or Lessee, on or after January 1, 1994, gives the other party written notice of its intention to terminate this Lease."

3. The second sentence of the first paragraph of Paragraph 8(d) of the Lease, and the third paragraph of said Paragraph 8(d), are each hereby deleted, and the following substituted for said second sentence of said first paragraph: "Lessee shall not make any structural change, alteration or modification to said Building or construct any additional building on the Land."

4. Paragraph 11 of the Lease, entitled "Assignment by Lessee and Subletting. is hereby deleted, it being agreed that the Lessee shall have no right to sublet or assign any portion of the Leased Premises.

5. The first sentence of Paragraph 12(a) of the Lease is hereby deleted and the following substituted in lieu thereof: "If the Building, or any part thereof, shall be damaged or destroyed by fire, the elements or any other casualty, then Lessor shall have the right to terminate this Lease by giving written notice of such intention within thirty days of the occurrence of said casualty, unless the cost of the restoration is less than $10,000.00 and would take less than thirty days to restore, in which event the Lessor shall be obligated to proceed with such restoration". In addition, Paragraph 12(b) of the Lease is hereby deleted.

6. There is hereby deleted from the Lease, Paragraph 2, entitled "Option to Purchase".

In all other aspects not inconsistent with the foregoing, said Lease shall remain in full force and effect in accordance with its terms.

Executed under seal as of the 22nd day of October, 1993.

Witness:	SANDPY REALTY TRUST
/s/ [Illegible]	/s/ Simon D. Young, Trustee
	Simon D. Young, Trustee and not individually
	WIGS BY PAULA, INC.
/s/ [Illegible}	/s/ Steven L. Bock
	Its CEO

Signal Capital Corporation

Merchant Banking

55 Ferncroft Road
Danvers, MA 01923
(508) 777-3866
FAX (508) 750-1301

July 19, 1993

Mr. Steven L. Bock
SC Corporation
Six Landmark Square, 4th Floor
Stamford, CT 06901

Re: SC Corporation et. a1.

Dear Steve:

Reference is made to your letter to Signal Capital Corporation ("Signal") dated June 21, 1993 regarding unpaid lease payments under the lease between Wigs by Paul, Inc. ("Wigs") and; Sandpy Realty Trust. It is Signal's understanding that Wigs has failed to pay $40,000 due under the lease for each month, April and May 1993, instead, Wigs has paid only S20, 000 for each of these two months, resulting in unpaid lease payments in the aggregate amount of $40,000.

Signal consents to the payment by Wigs to Sandpy Realty in the amount of $40,000 regarding lease arrearages for the months of April and May 1993.

If you should have any questions, please contact me.

Sincerely,

/s/ Willis A. Williams

Willis A. Williams
Portfolio Manager

WAW/aa

Kleban & Samor, P.C.
[LETTERHEAD]

WRITER'S DIRECT DIAL
254-8913

December 9, 1993

James McGinley, Esq.
Edwards and Angell
101 Federal Street
Boston, MA 02110

VIA FAX 617-439-4170
AND FEDERAL EXPRESS

RE: WIGS BY PAULA, INC.

Dear Jim:

My sincerest apologies for not forwarding the enclosed, executed the Third Amendment to Lease sooner. As we discussed, I am delivering the amendment to you on the following conditions: (i) the landlord would agree that if its execution is later held to be void because it is outside the ordinary course of business, 11 U.S.C. ss.549(a), a 120-day notice period would nevertheless apply as a condition to termination; and (ii) Mr. Young's agreement to settle his other claims in accordance with our outstanding agreement, which, of course, is subject to court approval under Rule 9019. My recollection is that you were going to confirm that the foregoing conditions were acceptable to your client.

Thank you for your patience.

Very truly yours,

/s/ Irve J. Goldman
Irve J. Goldman

IJG/cfh

enclosures
cc: Mr. Steven L. Bock

Kleban & Samor, P.C.
[LETTERHEAD]

WRITER'S DIRECT DIAL
254-8913

December 10, 1993

Michael R. Enright, Esq.
Robinson & Cole
One Commercial Plaza
Hartford, CT 06103-3597

VIA HAND-DELIVERY

Re: Western Schools, Inc.
Chapter 11, Case No. 92-54265
Doc. I.D. No. 335

Dear Mike:

Enclosed are copies of the followings: 1) List of Witnesses; 2) List of Exhibits, together with copies of exhibits identified therein; and 3) Debtor's Expert Report.

Very truly yours,

/s/ Irve J. Goldman
Irve J. Goldman

IJG/cf.
enclosures

cc: Mr. Steven L. Bock (with enclosures)
David Weitman, Esq. (via Federal Express)~ with enclosures)

Kleban & Samor, P.C.
[LETTERHEAD]

WRITER'S DIRECT DIAL
254-8913

December 10, 1993

Hon. Alan H. W. Shiff
United States Bankruptcy Court

VIA HAND-DELIVERY

915 Lafayette Blvd.
Bridgeport, CT 06604

Re: Western Schools, Inc.
Chapter 11, Case No. 92-54265
Doc. I.D. No. 33

Dear Judge Shiff:

Enclosed are Chambers' copies of the following documents relative to the Emergency Application of Signal Capital Corporation Objecting to the Use of Cash Collateral by Western Schools, Inc.: 1) Debtor's List of Exhibits; 2) Debtor's List of Witnesses; and 3) Debtor's Expert Report.

Respectfully submitted,

/s/ Irve J. Goldman
Irve J. Goldman

IJG/cfh
enclosures

cc. Mr. Steven L. Bock (with enclosures)
Michael R. Enright, Esq. (via hand-delivery) (with enclosures)
David Weitman, Esq. (via Federal Express) (with enclosures)

EXHIBIT 10.22

SC

CORPORATION

Six Landmark Square
Fourth Floor
Stamford, Ct. 06901-2792

Telephone (203) 359-5640
Facsimile (203) 359-5840

February 21, 1995

Via Airborne Express

Sandpy Realty Trust
C/O Simon D. Young
16 Westwood Avenue
Brockton, MA 02401

Re: Lease of Premises at 21 Bristol Drive South Easton, MA

Dear Simon:

This will confirm that, effective June 1, 1995, the Fixed Rent for the above-captioned premises shall be reduced from $480,000 per annum to $300,000 per annum.

In all other respects, the Lease, as amended through the date hereof, shall remain in full force and effect in accordance with its terms.

SC Direct, Inc.
/s/ STEVEN L. BOCK

Steven L. Bock
CEO

Witnessed
By: /s/

Acknowledged and agreed to:
Sandpy Realty Trust

/s/ SIMON D. YOUNG

Simon D. Young
Trustee

Witnessed
By: /s/

SC

CORPORATION

Six Landmark Square
Fourth Floor
Stamford, Ct. 06901-2792

Telephone (203) 359-5640
Facsimile (203) 359-5840

February 21, 1995

Via Airborne Express

Simon D. Young
16 Westwood Avenue
Brockton, MA 02401

Dear Simon:

Thank you for agreeing to the June 1 rent reduction, which gives us some additional flexibility regarding the timing of our decision to address our longer term space needs. I am enclosing a letter for Sandpy's signature, reflecting the new rent. Please return an executed copy to me.

As I indicated to you, we need to complete our market research in order to more thoroughly assess your proposal. Based on our current information, your proposal seems very high.

We will keep you advised as we work through the process.

Very truly yours,

/s/ Steven

Steven L. Bock

EXHIBIT 10.23

LEASE

LEASE dated October 20, 1995, between FREDRIC SNYDERMAN, as Trustee of J V Realty Trust (mailing address: 14 Norfolk Avenue, South Easton, MA 02375) ("Landlord") and SC DIRECT, INC., a Massachusetts Corporation, of 21 Bristol Drive, South Easton, MA 02375 (hereafter "Tenant").

I. PREMISES

Landlord hereby leases to Tenant, and Tenant hereby hires from Landlord. upon the terms, covenants and conditions hereinafter set forth:

the exclusive use of the premises consisting of the entire free standing building and parcel of land known as 23 Norfolk Avenue, South Easton, MA, being approximately 22,000 square feet more or less interior space, said parcel of land is more particularly described in Schedule "A" attached hereto and made a part hereof.

II. USE

The Tenant may use and occupy the Premises for the purposes of warehouse distribution and office support or, subject to the Landlord's prior written consent, any other lawful purpose.

III. TERM

Subject to the terms, covenants and conditions contained herein, Tenant shall have and hold the premises for a term of eighteen (18) months commencing on November 1, 1995 and ending on April 30, 1997.

IV. RENT

Tenant covenants and agrees to pay to Landlord rent during the term of this Lease, at the rate of $93,500.00 per year in installments of $7,791.67 per month.

All such rent shall be payable on the first day of every month beginning November 1, 1995 during the term hereof. Tenant will pay such rent to the Landlord without request or demand at its address set forth or at such other place as is designated from time to time by Landlord.

V. LATE CHARGE

Tenant shall pay a late charge of 3% of all sums required to be paid hereunder if paid more than fifteen (15) days after its due date until all such sums have been paid in full.

VI. TAXES

(A) In addition to the rent set forth in Paragraph IV above, Tenant covenants and agrees to pay Landlord as additional rent 100% of the real estate taxes assessed for any fiscal year on the land and buildings shown on Schedule "A".

(B) If this Lease commences during a fiscal year, Tenant shall be liable only for the same proportion of its 100% share of the real estate taxes as the period of time it occupies the Premises.

(C) Tenant shall pay Landlord its share of the real estate taxes as aforesaid within fourteen (14) days after receipt from Landlord of a copy of the real estate tax bill and a statement showing the share thereof for which it is liable.

(D) If any abatement of real estate taxes is obtained, the amount thereof shall first be applied to the reasonable costs and expenses of obtaining such abatement. Tenant shall then be entitled to its percentage thereof in accordance with the percentage of the real estate taxes for which it is liable, and Landlord shall be entitled to the remainder. In addition, Tenant has the right in name of Landlord to contest validity or amount of taxes or to file for an abatement at Tenant's cost.

VII. INSURANCE

The Tenant shall pay, as additional rent, the cost of the following insurance coverages on the Premises. All policies shall be with responsible insurance companies licensed to do business in Massachusetts. All such policies which affect the premises shall name Landlord and Tenant as insured parties as their interests may appear.

(a) Hazard Insurance

The Tenant shall pay the cost of the Landlord's policy for all risk coverage on the building and improvements on the Premises for physical loss in an amount equal to the

full insurable value of the building and such improvements as hereinafter defined. "Full Insurable Value" shall mean actual full replacement cost of the building, without deduction for depreciation, and in any event an amount sufficient to prevent Landlord from being deemed a co-insurer under the terms of such policy. Full Insurable Value shall be reasonably determined from time to time by the Landlord but not less frequently than each twelve calendar months,

and a copy of said determination shall be provided to Tenant.

b) Rent Insurance

The Tenant shall pay the cost of rental income insurance (Rent Form No. 1 endorsement) protecting the Landlord against abatement or loss of rent in an amount equal to at least one year's Base Rent, estimated real estate taxes and insurance premiums.

c) Liability Insurance

The Tenant shall pay the cost of the policy of comprehensive public liability insurance insuring Landlord against liability arising out of the ownership, use, occupancy or maintenance of the Premises. At the beginning of the Lease Term the limits of such policy shall be at least $1,000,000 for injury or death to one person, and $1,000,000 for injury or death to more than one person in the same accident and $500,000 for damage to property. Such limits shall be subject to a reasonable and necessary increase from time to time during the Lease Term. The amount of such insurance shall not limit the Tenant's liability nor relieve the Tenant of any obligation hereunder. The Tenant may, at Tenant's cost and expense, maintain such other liability insurance as the Tenant may deem necessary to protect it.

d) Indemnity

Subject to the provisions of Massachusetts General Laws, Chapter 186, Section 15, the Tenant shall assume exclusive control of the Premises and the adjacent sidewalks, if any, and agrees to hold the Landlord free and harmless from any and all liability, penalties, losses, damages, costs and expenses, causes of action, claims, or judgments or encumbrances created or suffered by the Tenant, and from any and all liability, penalties, losses, damages, costs and expenses, causes of action, claims, or judgments arising from injury during said term to persons of any nature whether on the leased Premises or its approaches, occasioned by any acts or omissions of the Tenant or of the employees, agents, servants, subtenants, or independent contractors of the Tenant, and arising out of the use or occupation of said Premises or by reason of the bursting or leakage of pipes occasioned by the negligence of Tenant from any neglect or misuse on the leased Premises caused by Tenant's negligence or by any reason of nuisance made or suffered on the Premises and caused by the Tenant's negligence; and also against all legal costs and charges, including reasonable counsel fees, reasonably incurred in and about such matters and the defense of any action arising out of the same, or in discharging the Premises or any part thereof from any and all liens that may be placed thereon from charges incurred by Tenant. If the Landlord intervenes in or becomes a party to any such action or actions growing out of this Lease in order to protect its rights, and such intervention is caused by Tenant's conduct, then the Tenant shall pay Landlord's reasonable attorneys' fees in such action or actions.

(e) Payment of Premiums:

The Tenant shall pay to the Landlord an amount equal to the cost of the premiums paid or incurred by the Landlord for the insurance coverages set forth in this Section within fourteen (14) days after written request therefor by the Landlord.

VIII. OPERATING EXPENSES

Tenant shall pay to Landlord as additional rent 100% of all Landlord's operating expenses for maintaining the Premises including and limited to water and sewer, utilities, betterments, landscaping, maintenance of the building, its parking lot and grounds, snow plowing and ordinary and necessary repairs. Tenant shall pay said operating expenses as aforesaid within 14 days after submittal of detailed itemization and accounting of operating expenses along with copies of all invoices and other documentation evidencing the expenses. Landlord and Tenant may agree in writing to have Tenant contract directly for certain of the above expenses.

IX. UTILITIES

The Tenant shall pay directly to the proper authorities concurrent with the collection thereof all charges for heat, water, sewer, gas, electricity, telephone and other utilities or services used or consumed on the Premises. The Tenant shall make its own arrangements for such utilities and the Landlord shall not be liable for any interruption or failure in the supply of any such utilities to the Premises not caused by conduct or lack of action by the

Landlord. The Tenant agrees that it will at all times keep sufficient heat in the building to prevent the pipes from freezing.

X. SECURITY DEPOSIT

Upon the execution of this Lease, Tenant shall also pay to Landlord the sum of $15,583.34 which shall be held by Landlord as security for the full and faithful performance and compliance by Tenant of and with all its covenants and obligations hereunder. Each party expressly acknowledges that this sum is not to be applied as rent at the end of the term hereof.

Landlord acknowledges that it has received from Tenant the amount of Fifteen Thousand Five Hundred Eighty Three and 34/100 ($15,583.34) Dollars, as security for the payment of rent and the performance and observance of the agreements and conditions in this Lease contained on the part of the Tenant to be performed and observed. In the event of any default or defaults in such

payment, performance or observance. Landlord may apply said amount plus interest earned and not yet paid to Landlord (hereinafter "the sum") or any part thereof toward the curing of any such default or defaults and/or toward compensating Landlord for any loss or damage arising from any such default or defaults. Upon the yielding up of the Premises at the expiration or other termination of the term of the Lease, and if the Tenant shall not then be in substantial default said sum or the unapplied balance thereof shall be returned to the Tenant within 10 days. The Landlord agrees to deposit the security in a separate interest-bearing escrow bank account and, provided Tenant shall not be in default

or otherwise liable to the Landlord, agrees to pay the interest earned by such security to the Tenant. Upon deposit of said money, Landlord shall notify the Tenant in writing of the name and address of the bank and account number where the money is being held. Landlord shall not commingle the money with its own funds. Landlord agrees to pay such interest annually on the anniversary date of the execution of this Lease. Whenever the holder of Landlord's interest in this Lease, whether it be the Landlord named in this lease or any transferee of said Landlord, immediate or remote, shall transfer its interest in this Lease, said holder shall turn over to its transferee said sum or the unapplied balance thereof.

XI. CONDITION OF PREMISES

(A) Landlord shall deliver the Premises to Tenant in broom clean condition and in its current condition as of the time of execution of this Lease and shall have no obligation to make any changes or alterations to it.

(B) Tenant may make non-structural changes to the Premises but only with Landlord's prior written consent which consent shall not be unreasonably delayed or withheld following his receipt of Tenant's written request specifying the desired changes and plans showing the proposed changes in detail.

XII. IMPROVEMENTS AND ALTERATIONS BY TENANT

Tenant may place office fixtures, office equipment and the like (Tenant's Property) in the Premises without Landlord's consent, provided that no signs may be erected

on the exterior of the Premises without Landlord's prior written approval as to the size, design and location thereof, which approval shall not be unreasonably withheld or delayed. Tenant may not make any structural alterations, additions or improvements to the Premises except with Landlord's prior written consent and in accordance with plans submitted in advance to and approved in writing by Landlord, such consent not to be unreasonably withheld or delayed. Tenant's

improvements, such as carpeting, shall remain Tenant's Property during the Term but shall become and remain part of the Premises as of the expiration or earlier termination of the Term of this Lease. All structural alterations, additions and improvements shall, upon the making thereof, become a part of the building. Notice is hereby given that Landlord shall not be liable for any labor or materials furnished to Tenant and that no mechanic's or other lien for any such material or labor shall attach to or affect the reversion or other estate or interest of Landlord in and to the Premises and Tenant hereby indemnifies Landlord against any claim against Landlord for labor or materials. At the expiration or earlier termination of the Term of this Lease. Tenant shall remove Tenant's Property. Landlord shall not require removal of pipes, wires and the like from walls, ceilings or floors, provided that Tenant properly cuts, caps and disconnects such pipes and wires and seals them off in a safe and lawful manner flush with the applicable wall, floor or ceiling. Tenant shall maintain the improvements and Tenant's Property during the Term of this Lease and shall be responsible for any damage to the Premises caused by the installation or removal of Tenant's Property or any improvements. Tenant shall repair any damage or disturbance to the Premises resulting from the removal of its Property in such

a manner that there is no appearance of any such removal or damage and the damaged or disturbed areas shall match the existing conditions of the Premises.

XIII. INSPECTION

Landlord and his authorized representatives shall have the right upon reasonable notice and consent of the Tenant (which consent shall not be unreasonably withheld or delayed) and at all reasonable times to enter the Premises to inspect the same, and to show it to prospective tenants and purchasers; provided that Landlord shall not disturb Tenant's use and occupancy.

XIV. MAINTENANCE OF BUILDING AND PREMISES

(A) Landlord shall (i) maintain the building structure except the interior and additions thereto and any utility service lines exclusively serving the Premises, in good condition and repair; (ii) comply with all applicable governmental rules, regulations, laws and ordinances affecting the building. If at any time the Premises (or portion thereof) become untenantable for the conduct of Tenant's business as a result of the interruption or suspension of any such maintenance services (except for causes beyond Landlord's control), Tenant shall be entitled to an abatement of Rent (or portion thereof) until the Premises again become suitable for the conduct of Tenant's business.

(B) Tenant shall (i) maintain the interior of the Premises (including the plate and window glass) and; (ii) comply with all applicable governmental rules,

regulations, laws and ordinances affecting the building.

Landlord shall, at its sole cost and expense, keep and maintain in good working order and repair and in a clean and safe condition the interior and exterior structural portions of the building, including, but not by way of limitation, the foundation, roof, walls, driveways, structural columns and beams, and common areas, except for loss by fire or other casualty and shall remove snow accumulation from the roof. The Landlord shall also, at its sole cost and expense, keep and maintain in good working order and repair and if necessary, replace, the plumbing and electrical service lines furnished by the Landlord to the Premises and the heating, plumbing, and HVAC system servicing the Premises. The Tenant shall give immediate written notice to the Landlord of the need for any repairs or replacements to the areas the Landlord is responsible for as described above and the Landlord shall then proceed immediately to make such repairs as are necessary. In the event that the Landlord fails to maintain the above-mentioned structure or fulfill the above obligations or fails to make any necessary repair or replacement within a reasonable time after notification from Tenant, then the Tenant shall have the right to make such repair or replacement and deduct the cost of same from the rent due and owing. The following restrictions apply to this paragraph B:

a) Landlord is not obligated to perform any repairs hereunder if the alleged problem or condition was caused by the negligence or conduct of Tenant, its employees or agents;

b) If the problem or condition arises during the first 30 days of this tenancy, Landlord shall be fully responsible to correct same; and

c) after said 30 days, Landlord's responsibility hereunder arises only if the cost of repairing any single item or problem exceeds $2,000.00.

(C) Tenant shall act with care in its use and occupancy of the Premises, and except as otherwise provided under the terms of this Lease, shall keep the Premises in good order and condition.

XV. CONDEMNATION

(A) If the entire Premises or any portion thereof or the access thereto shall be permanently or temporarily taken, appropriated or condemned, such that Tenant is precluded or adversely affected from utilizing the Premises for the conduct of its business, this Lease and the Term hereof may be terminated at Tenant's election by giving written notice of termination to Landlord within sixty (60) days following the date on which Tenant shall have received notice of such taking, appropriation or condemnation. In the event of the giving of such notice, this Lease and the Term hereof shall terminate as of the date on which Tenant shall be required to vacate any portion of the area so taken, appropriated or condemned and the Rent shall be apportioned as of such date.

(B) If Tenant does not elect to terminate this Lease, Landlord, with reasonable diligence and at his expense, shall restore the remainder of the Premises or the access thereto, as nearly as feasible to the condition thereof prior to such taking, appropriation or

condemnation and in such event the Rent shall be adjusted in a manner such that (i) a just proportion of the Rent, according to the nature and extent of the taking, appropriation or condemnation and the resulting permanent injury to the Premises shall be permanently abated, and (ii) a just proportion of the remainder of the Rent, according to the nature, extent of the taking, appropriation or condemnation and the resultant injury sustained by the Premises shall be abated until the remainder of the Premises shall have been restored as fully as feasible for permanent use and occupation by Tenant hereunder. In the event such restoration is not complete within 60 days after the occurrence of the damage, Tenant may, upon notice to Landlord, either terminate this Lease or complete such restoration and deduct the cost thereof from the Rent. Landlord expressly reserves and Tenant hereby assigns to Landlord all rights to all awards and compensation created, accrued or accruing by reason of any permanent taking, appropriation or condemnation, except for any portion of such award allocated to Tenant's estate hereunder, Tenant's improvements, Tenant's Property or Tenant's moving and relocation expenses.

XVI. CASUALTY

(A) If the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give prompt notice to Landlord. Upon receipt of such notice, Landlord (except as provided in paragraph (B)) shall proceed with diligence, and at its expense, to have such damage repaired but in no event shall the damage be repaired in more than four (4) months. All repairs to and replacements of Tenant's Property or any improvements shall be made by

and at the expense of Tenant. If the Premises or any part thereof shall have been rendered untenantable for the conduct of its business by reason of such damage, the Rent or a just and proportionate part thereof, according to the nature and extent to which the Premises shall have been so rendered untenantable, shall be abated until the Premises shall have been restored as nearly as feasible to the condition thereof immediately prior to such fire or other casualty. In the event such repairs are not completed within four months from the occurrence of such damage, Tenant may, upon notice to Landlord either terminate this Lease or complete such repairs and deduct the cost thereof from the Rent.

(B) If the Premises shall be so damaged by fire or other casualty to the extent of more than 50% of their then replacement cost, this Lease and the Term

hereof may be terminated at the election of Landlord or Tenant by giving a notice of termination to the other party within sixty (60) days following such fire or other casualty, the termination date being specified in such notice as a date not less than sixty (60) days after the day on which such termination notice is given. In the event of any such termination, this Lease and the Term hereof shall expire as of such termination date and the Rent (subject to any abatement thereof required pursuant to paragraph (A) hereof) shall be apportioned as of such date.

(C) During the time the Premises may be untenantable, Tenant shall have the right to have a trailer or other temporary structure in the Parking Area for the purpose of conducting its business, provided such temporary structure is legally permissible and does not use more than 25% of the total Parking Area.

XVII. INDEMNIFICATION

(A) Tenant hereby indemnifies and covenants to save Landlord harmless, from and against any and all claims, liabilities, costs and expenses (including reasonable attorneys' fees) or penalties asserted by or on behalf of any person, firm, corporation or public authority on account of any injury to person, or loss of or damage to property, sustained or occurring on the Premises on account of the act, omission, fault, negligence or misconduct of Tenant or its servants, agents or employees.

(B) Landlord hereby indemnifies and covenants to save Tenant harmless, from and against any and all claims, liabilities or penalties asserted by or on behalf of any person, firm, corporation or public authority on account of any injury to person, or loss of or damage to property, sustained or occurring on the Premises on account of the act, omission, fault, negligence or misconduct of Landlord or his servants, agents or employees.

XVIII. WAIVER OF SUBROGATION

(A) Tenant and Landlord covenant that with respect to any insurance coverage carried by either Tenant or Landlord in connection with the building or the Premises whether or not such insurance is required by the terms of this Lease, such insurance shall provide for the waiver by the insurance carrier of any subrogation rights against Landlord, his agents, servants and employees under Tenant's insurance policies or against Tenant, its agents, servants and employees under Landlord's insurance policies, where such waiver of subrogation rights does not require the payment of an additional premium, or, if an additional

premium is required to be paid, the other party shall offer to pay such premium

after being notified thereof.

(B) Landlord and Tenant shall each seek to recover for any loss or damage incurred from its own insurer and notwithstanding any other provisions of this Lease, (i) Landlord shall not be liable to Tenant for any loss or damage, whether or not such loss or damage is caused by the negligence of Landlord or his agents, servants, employees, to the extent that compensation for such loss or damage shall be actually recovered under insurance carried by Tenant; and (ii) Tenant shall not be liable to Landlord for any loss or damage, whether or not such loss or damage is caused by the negligence of Tenant or its agents, servants or employees, to the extent that compensation for such loss or damage is actually recovered under insurance carried by Landlord.

XIX. DEFAULT

(A) If Tenant shall fail to make any payment of rent or additional rent and such failure shall continue for fourteen (14) days after notice thereof to Tenant; or if Tenant shall fail to perform any other of its obligations hereunder and such failure shall continue for thirty (30) days after notice thereof to Tenant (except that if Tenant cannot reasonably cure any such failure within such thirty (30) day period, such period may be extended for a reasonable time, provided that Tenant shall commence to cure such failure within such period. and proceed continuously and diligently thereafter to effect such cure); or if Tenant shall file a voluntary petition in bankruptcy or shall be adjudicated bankrupt or insolvent, or shall make

an assignment for the benefit of creditors or shall file any petition seeking a reorganization, arrangement or similar relief, then Landlord, upon notice to Tenant, may terminate this Lease without prejudice to any other remedies which Landlord may have for arrears of rent or breach of covenant. Tenant covenants, in case of any default by Tenant hereunder, to pay to Landlord as agreed liquidated damages an amount equal to the rent and additional rent which would have been payable had Tenant not defaulted (subject to offset for net rents actually received from reletting).

(B) Tenant further covenants to indemnify Landlord against all loss and damage caused by Tenant's default or breach of this Lease, including but not limited to loss of rent, reasonable broker's commissions, advertising costs, reasonable costs of cleaning and repairing the premises to re-let them, moving and storage charges and reasonable attorney's fees and expenses.

(C) Landlord may bring legal proceedings for the recovery of such damages. or any installments thereof, from time to time at his election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the Term of this Lease would have expired if it had not been terminated hereunder.

XX. SURRENDER

Upon the expiration or earlier termination of the Term of this Lease, Tenant shall surrender the Premises in the same condition as they were on the Commencement Date or as they were put by Tenant except for reasonable wear and tear and damage caused by fire

or other casualty. Any holding over by Tenant after the expiration or termination of this Lease shall constitute a tenancy at will on a month to month basis on all the terms and conditions hereof except that the rent shall be the then fair rental value of the Premises.

XXI. ASSIGNMENT AND SUBLETTING

The Tenant agrees not to assign this Lease, in whole or in part, sublet the Premises or any portion thereof, or otherwise transfer its interest or right to possession under this lease without first obtaining, on each occasion, the written consent of the Landlord, which consent shall not to be unreasonably withheld. No such assignment, subletting or transfer shall be permitted unless, in the opinion of the Landlord, the use to be made of the Premises by the prospective assignee, subtenant or transferee is compatible and consistent with its uses. No assignment, subletting or other transfer of the Tenant's interest or right to possession shall in any way impair the continuing liability of the Tenant hereunder, and no consent to any assignment, subletting, or the transfer of the Tenant's interest or right to possession in a particular instance shall be deemed a waiver of the obligation to obtain the Landlord's approval in the case of any other assignment, subletting or other transfer of the Tenant's interest or right to possession.

If Landlord shall consent to any assignment or subletting by Tenant at a rent which exceeds the rent payable hereunder by Tenant. then Tenant shall pay to Landlord as additional rent, upon Tenant's receipt of each installment of any such excess rent, the full amount of any such excess rent.

Any request by Tenant for consent to assign or sublet this Lease shall be accompanied by a warranty by Tenant as to the amount of rent to be paid to Tenant by the proposed assignee or subtenant. For this purpose, the term "rent" shall mean all annual rent, additional rent or other payments and/or consideration payable by the proposed assignee or sublessee to the Tenant for the use and occupancy of the premises.

XXII. QUIET ENJOYMENT

Tenant, on paying the rent, additional rent and all other sums payable

hereunder and substantially performing the covenants of this Lease on its part to be performed, shall peaceably and quietly have, hold and enjoy the Premises for the Term of this Lease without hindrance of interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under the Landlord.

XXIII. NOTICES

Any notice or demand hereunder shall be in writing and shall be deemed to have been given if it shall be delivered by hand or sent by registered or certified mail as follows: (i) if to Landlord, addressed to Landlord at the address set forth above, or at such other address as may be directed by Landlord; and (ii) if to Tenant, addressed to Tenant at its address set forth above until the Commencement Date and, thereafter, at the Premises, or at such other address as may be directed by Tenant.

XXIV. REMEDYING DEFAULTS

If Tenant shall default in the observance or performance of any term, covenant or condition on its part to be observed or performed under this Lease beyond the applicable periods of grace set forth herein, Landlord, without being under any obligation to do so and without thereby waiving such default, may, upon reasonable notice to Tenant, remedy such default for the account and at the expense of Tenant. If Landlord makes any expenditures or incurs any obligations for the payment of money in connection therewith, including, but not limited to, reasonable attorneys' fees, such sums paid or obligations incurred shall be paid to Landlord by Tenant with interest thereon at the rate of prime plus 2% per annum.

XXV. BINDING AGREEMENT

This Lease shall bind and inure to the benefit of the parties hereto and their respective heirs, representatives and successors. This Lease contains the entire agreement of the parties and may not be modified except by an instrument in writing signed by both parties.

XXVI. GENERAL PROVISIONS

The various rights and remedies contained in this Lease and reserved to each of the parties shall not be exclusive of any other right or remedy of such party, but shall be construed as cumulative and shall be in addition to every other remedy now or hereafter existing at law in equity or by statute. No delay or omission in the exercise of any right or power by either party shall impair any such right or power, or shall be construed as a waiver

of any default or as acquiescence in any default. One or more waiver of any term, covenant or condition of this Lease by either party shall not be construed by the other party as a waiver of a subsequent breach of the same term, covenant or condition. The consent or approval of either party to any act by the other party of a nature requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act. All sums payable hereunder by Tenant in addition to the rent shall constitute additional rent hereunder. If any provision of the Lease shall be held to be invalid, such invalidity shall not affect the other provisions hereof. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

XXVII. SUBORDINATION

This Lease shall be subject and subordinate in all respects to all mortgages which now or hereafter may encumber the Premises provided that the holder thereof shall enter into a written agreement with Tenant providing that as a condition to such subordination and so long as Tenant shall not be in default under the Lease, the right of possession and all other rights of Tenant under this Lease will not be disturbed upon foreclosure of any mortgage or upon the exercise of any remedy provided for in any mortgage or by law.

XXVIII. PARTIAL PAYMENTS

The acceptance by Landlord of rent, additional rent or other payment hereunder shall not be construed as waiving any of Landlord's rights hereunder. No payment by Tenant or

acceptance by Landlord of a lesser amount than shall be due Landlord shall be deemed to be anything but payment on account and the acceptance by Landlord of a payment for a lesser amount with an endorsement or statement thereon or upon a letter accompanying said payment that said lesser amount is payment in full, shall not be deemed an accord and satisfaction, and Landlord may accept said payment without prejudice to recover the balance due or pursue any other remedy.

XXIX. BROKER

The parties acknowledge that the Landlord has employed the Dartmouth Company to lease the premises to Tenant. Both parties warrant that no other broker other than Dartmouth Company was involved in this transaction. The Landlord is responsible for all payments and/or commissions to be paid to the broker. No fees are payable by the tenant.

XXX. EARLY TERMINATION

Both Landlord and Tenant have the absolute right to terminate this Lease

upon 120 days written notice to the other party. This right of early termination cannot be exercised prior to July 15, 1996 to take effect no earlier than November 15, 1996. In order to exercise this right of early termination, the electing party shall give 120 days written notice to the other party and the termination shall become effective on the 120th day after issuance of written notice. Upon termination the terms of this Lease and all obligations of the parties

hereto shall cease and this Lease shall become void and without recourse to the parties hereto.

XXXI. CLEAN UP

The Tenant shall keep the Premises in a safe, clean and neat condition. In the event that the Tenant shall fail to so keep the Premises, then the Landlord, after seven (7) days prior written notice to the Tenant, may cause such work to be done as may be necessary to restore the Premises to a safe, clean and neat condition and the reasonable cost for such work shall be payable by the Tenant as additional rent.

XXXII. WASTE DISPOSAL

The Tenant agrees to obey all rules and regulations established by Landlord from time to time pertaining to the storage and/or removal of waste and refuse.

XXXIII. OUTSIDE STORAGE

The Tenant shall not store any materials or equipment outside of the building, except one dumpster.

SCHEDULE A

Property: 23 Norfolk Avenue, Easton, MA

A certain parcel of land situated on the westerly side of Norfolk Avenue in the Town of Easton, Bristol County, Massachusetts, together with the buildings and improvements thereon, and shown as Lot A-1-G on a plan entitled "Plan of Land in Easton, Massachusetts owned by Paramount Development Associates, Inc." dated March 25, 1982, by Hayward-Boynton & Williams, Inc., which plan is recorded with the Bristol County Northern District Registry of Deeds in P1an Book 197, Page 30. Lot A-1-G is more particularly bounded and described, according to said plan, as follows:

EASTERLY	by Norfolk Avenue on two (2) courses, three hundred eleven and 98/100 (311.98) feet and twenty-four and 00/100 (24.00) feet on a curve with a radius of one hundred seventy-five and 00/100 (175.00) feet;
NORTHERLY	by Lot A-1-F, two hundred fifty-nine and 28/100 (259.28) feet;
SOUTHWESTERLY	by land of the Kendall Company, three hundred forty-five and 05/100 (345.05) feet;
SOUTHERLY	by Lot B-l-B, one hundred seventy-eiqht and 73/100 (178.73) feet.

Lot A-1-G contains 73,301 square feet or 1.683 acres according to said plan.

The fee in Norfolk Avenue, as shown on said plan, is excluded from the premises conveyed hereby.

Lot A-1-G is conveyed subject to and with the benefit of easements and restrictions of record and together with the right to pass and repass on foot and in motor vehicles over Norfolk Avenue and Bristol Drive to and from Route 123 as shown on said plan and on a plan entitled "Easton Industrial Park in Easton, Masschuaetts" dated January, 1975, and recorded with the Bristol County (North District) Registry of Deeds in Plan Book 154, Pages 43-45 and the right to connect to, use, maintain and repair utilites in the street and ways shown on said plan recorded in Plan Book 154, Pages 43-45.

Lot A-l-G is granted subject to an easement from Easton Induatria1 Park, Inc. to New England Telephone and Telegraph Company and Brockton Edison Company dated July 15, 1977 and recorded with said Deeds in Book 1737, page 623.

Lot A-1-G is granted subject to a Declaration of Protective Covenants dated November 29, 1979 and recorded with said Deeds in Book 2011, Page 163.

Being the premises conveyed to this mortgagor by deed of Paramount Development Associates, Inc. dated September 1, 1983 and recorded with said Registry of Deeds in Book 2367, Page 182.

XXXIV. CORPORATE AND PARTNERSHIP AUTHORITY

If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents that he has full authority to do so and this lease binds the corporation. Not later than October 15, 1995, Tenant shall deliver to Landlord a certified copy of a resolution of the Tenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority acceptable to the Landlord. If the Tenant is a partnership, each person signing this Lease for Tenant represents and warrants that he is a general partner of the partnership, that he has full authority to sign for the partnership and that this Lease binds

the partnership and all general partners of the partnership.

XXXV. ADDITIONAL PROVISIONS

Attached hereto are "Additional Lease Provisions" marked "B" and incorporated herein as part of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as a sealed instrument, as of the day and year first above written.

JV REALTY TRUST (Landlord)

By: /s/ Fredric Snyderman Trustee

FREDRIC SNYDERMAN, AS TRUSTEE

SC DIRECT, INC., (Tenant)

By: /s/ John P. Boyd

Sr. V.P./CFO

Title

"B"

ADDITIONAL LEASE PROVISIONS

1. LANDLORD has not caused nor has any action been taken that would result in, and LANDLORD is not subject to, any material liability or obligation relating to (i) the environmental conditions on, under, or about the Premises, including without limitation, the soil and groundwater conditions; or (ii) the past or present use, management, handling, transport, treatment, generation, storage or Release of any Hazardous Materials.

(1) Without limiting the generality of the foregoing:

(i) None of LANDLORD or its current or past tenants operations, or any by-product thereof, on the Premises is related to or subject to any investigation or evaluation by any governmental entity, as to whether any Remedial Action is needed to respond to a Release or threatened Release of any Hazardous Materials.

(ii) LANDLORD and its current or past tenants have filed all notices

required under any Environmental Law indicating a past or present use, management, handling, transport, treatment, generation, storage, or Release of Hazardous Materials.

(iii) There is not now at, on or in the PREMISES: (A) any treatment, recycling, storage or disposal of any Hazardous Materials, (B) any underground or above ground storage tank, surface impoundment, lagoon or other containment facility (past or present) for the temporary or permanent storage, treatment or disposal of Hazardous Materials (C) any landfill or solid waste disposal area, (D) any asbestos-containing material, (E) any polychlorinated biphenyl, or (F) any Release of Hazardous Materials.

(iv) LANDLORD is not subject to any outstanding Order from, or contractual or other obligation with, any governmental body or other person in respect of which Landlord may be required to incur any Environmental Liabilities and Costs arising from the Release or threatened Release of a Hazardous Material and LANDLORD has not entered in to any contractual or other obligation with any governmental body or other person pursuant to which LANDLORD has assumed responsibility for, either directly or indirectly, the redemption of any condition arising from or relating to the

Release or threatened Release of Hazardous Materials.

(v) [Intentionally Omitted]

(vi) There are no Environmental Laws applicable to LANDLORD, or the PREMISES that would require LANDLORD, TENANT or any other party to provide notice to, to take actions to satisfy, or to obtain the approval of, any governmental entity as a condition to the consummation of the transactions contemplated by this Agreement

(m) It shall be a condition precedent to Tenant's obligations hereunder that the PREMISES (i) have not been and are not a generator of any Hazardous Materials, (ii) do not contain Hazardous Materials, (iii) there has not been any past or present use, management, handling, transport, treatment, storage or release of any Hazardous Materials, and (iv) that there is not now at, on or in the PREMISES any underground or above ground storage tank, surface impoundment, lagoon or other containment facility (past or present) for the temporary or permanent storage, treatment or disposal of Hazardous Materials, any landfill or solid waste disposal area, any ashestos-containing material or any polychlorinated biphenyl.

(n) As used in this Agreement, the following definitions shall apply in this Agreement: "Environmental Laws" means all federal, state, local and foreign Laws and Orders issued, promulgated, approved or entered relating to

environmental matters, the protection of the environment or the protection of public health and safety from environmental concerns, including without limitation Laws relating to the Release or threatened Release of Hazardous Materials (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the presence, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

"Environmental Liabilities and Costs" means all Losses, whether direct or indirect, known or unknown, current or potential, past, present or future, imposed by, under or pursuant to Environmental Laws, including without limitation, all Losses related to Remedial Actions, and all reasonable fees, disbursements and expenses of counsel,

experts, personnel and consultants based on, arising out of or otherwise in respect of:

(a) the ownership or operation of the Business Assets or the PREMISES or any other real properties, assets, equipment or facilities, by LANDLORD, or any of his predecessors or affiliates;

(b) the environmental conditions existing on, under, above or about the PREMISES or the Business Assets or any other assets, equipment or facilities currently or previously owned, leased or operated by LANDLORD, or any of their predecessors or affiliates; and

(c) expenditures necessary to cause the PREMISES, or the Business Assets to be in compliance with any and all requirements of Environmental Laws, including without limitation, all Permits issued under or pursuant to such Environmental Laws, and reasonably necessary to make full economic use of the PREMISES and Business Assets

"Hazardous Materials" means all hazardous substances, wastes, extremely hazardous substances, hazardous materials, hazardous wastes, hazardous constituents, solid wastes, special wastes, toxic substances, pollutants, contaminants, petroleum or petroleum derived substances or wastes, and related materials, including without limitation any such materials defined, listed, identified under or described in any Environmental Laws.

"Law" means any federal, state, local or foreign laws, statute, code, common law rule, ordinance, rule, regulation, permit, licensing or other requirement, or judicial or administrative decision.

"Order" means any order, judgment, injunction, award, decree or writ.

"Permits" means any permit, license, certificates, certificate of occupancy or use, grants, franchises, exceptions, variances, orders, governmental

authorizations or approvals, or any other permits.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leeching or migration into the environment or out of any property, including the movement of materials through or in the air, soil, surface water, ground water or property.

"Remedlal Action" means all actions required to (a) clean up, remove, treat or in any other way remediate any Hazardous Materials; (b) prevent the Release of Hazardous

Materials so that they do not migrate or endanger or threaten to endanger public health or welfare or the environment; or (c) perform studies, investigations, and care related to any such Hazardous Materials.

2. Lessor covenants and warrants to Lessee that it has full right and lawful authority to enter into this Lease for the term of this Lease, or any renewal, extension or option hereof; that Lessor is lawfully seized of the leased Premises and has good and marketable title thereto, free and clear of all Tenancies, and that the Lessee shall and may peacefully and quietly hold and enjoy the Premises throughout the term hereof without hindrance by the Lessor or any other person claiming through or under the Lessor.

3. Lessor represents and warrants to Lessee that on the date of delivery of possession of the Premises to Lessee, the Premises and the building in which the Premises are located will be in compliance with all laws, ordinances, orders, rules, regulations, and other governmental requirements relating to the use, condition and occupancy of the Premises, including the Americans for Disabilities Act and all handicap access related requirements, and all rules, orders, regulations, and requirements of the board of fire underwriters or insurance service office, or any similar body having jurisdiction over the Premises.

EXHIBIT 10.24

[LOGO]

PRINTING AGREEMENT

AGREEMENT dated as of January 1, 1995, by and between QUEBECOR PRINTING (USA) CORP., (The Printer) a Delaware corporation, having an office at 125 High Street, Boston, Massachusetts 02110 and SC Holdings, Specialty Catalog Corporation, DBA, SC Direct, Inc. (in Massachusetts), SC Publishing, and Royal Advertising (The Customer) a Massachusetts corporation having an office at 21 Bristol Drive, S. Easton, Massachusetts, 02375.

WHEREAS, The Printer and The Customer desire to enter into an agreement for the printing by The Printer of certain quantities of The Customer's catalogs [and any other similar product that The Customer may from time to time publish or designate] on the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the premises and the covenants and agreements hereinafter set forth, the parties agree as follows:

1. QUANTITIES

A. The Printer agrees to print and The Customer agrees to purchase during the term of this agreement, The Customer's entire printing requirements for The Customer's catalog program.

B. In order to assist The Printer in providing for The Customer's requirements, The Customer shall provide a production and mailing schedule for each year, supplemented with amended print, mail and tape instructions. The Customer shall not in any way be limited by nor obligated to the requirements shown on such forecast.

2. THE WORK

Subject to the provisions of the agreement, The Printer shall perform, cause to be performed or supply all labor, supervision, equipment, utilities and facilities, paper and production materials for (cylinder or plate making), press work, binding, packing, loading, and all other work necessary to complete the printing, manufacture and readying for delivery of the catalogs, including, without limitation, all preliminary work, (collectively, the "Work") at The Printers facility in St. Paul, Minnesota or at any other plants or facilities of The Printer or its affiliates (at no additional manufacturing cost to The Customer) in accordance with the specifications and production schedule set forth in Exhibit A. If overtime is required to meet The Customer's, delivery or quantity requirements, The Printer will use its best efforts to make any necessary overtime available and will charge for such overtime at its then

current rates. If overtime is required due to The Printer's internal scheduling problems arising after a production schedule is agreed upon and not due to The Customer's failure to comply with the production schedule, overtime charges will not be made.

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No chargeable overtime will be worked without The Customer's prior approval, and in the absence of such approval, delivery of the Work will be made as promptly as practicable consistent with The Printer's then available capacity.

3. GUARANTEE

A. The Printer shall perform the Work in a good and workmanlike manner and in accordance with the specifications and production schedule set forth in Exhibit A and its quarterly updates.

4. PRICES, PRICE ADJUSTMENTS AND TERMS OF PAYMENT

A. The prices charged to The Customer for the Work shall be as set forth in the Price Schedule attached hereto as Exhibit B (the "Prices"). Such prices are based on the cost of materials furnished by The Printer, scales of wage rates and payroll taxes, hours of work, cost of employee benefits and other terms of employment of The Printer in effect on January 1, 1995.

B. The price components as outlined above shall be adjusted on or about July 1, 1995, January 1, 1996 and January 1 of each year thereafter during the term of this agreement (the "Adjustment Date") to reflect one hundred percent (100%) of the percentage increase or decrease in the CPI, as defined below, in the preceding year provided that such percentage increase or decrease shall not exceed 3 1/2%. The percentage of change in CPI for the purpose of determining the price adjustment to be applied hereunder, if any, will be calculated from the CPI upon which the last adjustment of manufacturing prices was based. For purposes of the paragraph, the CPI means the Consumer Price Index (1967=100), All Urban Wage Earners and Clerical Workers, U.S. City Average, published monthly by the Bureau of Labor Statistics, U.S. Department of Labor. If the CPI as defined is revised or discontinued, the calculation described herein shall be made using the price index with which the Bureau of Labor Statistics replaces it.

C. The prices on Exhibit B hereto for paper, ink, other materials and utilities shall be adjusted when increases or decreases from The Printer's suppliers are announced by adding thereto or subtracting therefrom the actual percentage increase or decrease to The Printer for such materials since the prior escalation.

D. Each time the Prices shall become effective as to all Work performed for jobs following the date on which the notification of the change in prices to The Customer was received, irrespective of the date of billing.

E. The Printer shall furnish The Customer with a revised Price Schedule as soon as practicable after each such increase/decrease, together with a detailed breakdown of all such adjustments in Prices. Such revised Price Schedule shall be the basis for subsequent price adjustments.

[LOGO]

F. Upon request by The Customer within six (6) months of notice of a price change, The Printer shall furnish The Customer with documentary proof, including invoices, bills and statements, reasonable supporting invoices of The Printer to The Customer and establishing and justifying price adjustments provided for in the agreement. The Customer shall also be entitled to receive, provided The Customer so requests and pays for, a signed opinion of The Printer's then independent certified public accounts (which accountants shall be permitted to examine invoices, statements and other such documents of The Printer that show costs of materials and all other costs which are relevant to determining price adjustments hereunder) to the effect that they have examined such records of The Printer and that the adjustments in Prices result from actual changes in costs and have been computed correctly and in accordance with the terms of this agreement. If any price adjustment or amount payable to The Printer is incorrectly or improperly determined, the price or amount in question shall be properly recomputed and appropriate adjustments shall promptly be made and The Printer agrees to pay for the independent certified public accountants in this circumstance.

G. An invoice will be issued for paper at the date of shipment from the mill in which a 2% discount can be taken if paid within 10 days of the date of the invoice, or the total payment will be due net 30 days of the date of the invoice. An invoice will be issued for the manufacturing, ink, list services etc. in which a 2% discount can be taken if paid within 10 days of the date of the invoice or the total payment will be due net 45 days of the date of the invoice. A $300,000 accounts payable cap for all costs excluding paper will be in effect. At any time if the total outstanding balances exceed $300,000 The Customer shall pay the amount exceeding $300,000 upon receipt of written notification by The Printer If The Customer misses any two payments by more than 5 days each, the credit terms would revert to 2/10 net 11. The Customer shall pay interest on any invoice amount outstanding after the due date, except for amounts disputed in good faith by The Customer as provided below, at the prime lending rate established by Chase Manhattan Bank plus one percent (1%).

The above credit terms and exposure levels will be reviewed on January 1, 1996 and annually thereafter. At this time, The Printer will consider adjusting the exposure cap, and if adjusted, the revised terms will replace the specified terms spelled out above.

In the event The Customer shall dispute any amount of any invoices, The Customer shall notify The Printer in writing of the dispute, specifying in detail the basis for disputing the invoice, and the amount in dispute and pay to The

Printer that portion of the invoice not in dispute in accordance with the foregoing. The parties shall use their best efforts to resolve any such disputes as promptly as possible.

[LOGO]

H. All copies of the catalogs shall be shipped F.O.B. The Printer's dock and all freight will be arranged for by The Customer. The delivery schedules and methods of delivery are to be in accordance with the production schedule in Exhibit A hereto as amended or revised time to time. All handling charges inside The Printer's plants, including loading on carriers, shall be paid by The Printer.

I. The Customer shall reimburse The Printer for any personal property taxes imposed after the date of this agreement on all materials owned by The Customer and kept at The Printer's plants, if any, and on completed copies of the catalogs, and for all additional taxes levied upon the manufacturing, production, processing or changing the form of any article or commodity or upon the sale of any article or commodity, which may be imposed upon and paid by The Printer on account of any act required to be done by The Printer in the performance of its services hereunder, whether such taxes shall be called excise taxes, processing taxes, sales taxes, or by any other name (except franchise and income taxes). The Customer will be notified in writing of these taxes and has the right to dispute any such taxes at The Customer's expense.

J. Unless otherwise specified, the Prices do not cover storage of paper, other materials, work in process or finished goods beyond the production schedule span. If The Customer delays completion of the Work or postpones delivery of finished goods beyond the date specified in the production schedule, or if The Customer's furnished materials arrive prior to the dates specified in the production schedule, storage will be charged at the prevailing rates for the period that the finished goods, work in process or furnished materials remain in The Printer's possession.

K. In consideration of various purchase volumes, The Customer shall be entitled to a rebate of $1.25 for each one thousand books produced in excess of 25 million books produced in St. Paul during each year of the term of this agreement. The rebate will be calculated on an annual basis and will be remitted to The Customer within 60 days after the close of the agreement year. The rebate total may be applied to a scheduled payment if The Customer so chooses.

5. PAPER

The Printer shall furnish all paper for the Work at the grade and quality specified by The Customer and shall charge The Customer for such paper at the prices quoted in Exhibit B of the mill supplying such paper, plus a handling fee of three percent (3%) of The Printer's invoice price to The Customer for such paper. In the event that The Customer obtains a written quote from a paper supplier allowing it to purchase paper which meets the specifications of the

paper required for the Work at a price that is less than the price quoted by The Printer for such paper, The Printer shall have the right, but not the obligation, to furnish such paper, or paper of a similar grade and quality, at a price equal to that offered to The Customer by such paper supplier. If the Printer elects not to purchase such paper a handling fee of $8/ton (not to exceed 3 1/4%) would be charged by The Printer.

[LOGO]

6. TERM AND TERMINATION

A. The Term of this agreement shall commence as of January 1, 1995 and end upon the completion of the Work for the issue date closest to June 30, 1998.

B. The Customer may terminate this agreement upon the permanent discontinuance in good faith of the catalog program without publication of a successor or similar catalog program, whether named The Customer or not. The Customer shall notify The Printer at least three (3) months in advance of the effective date of such discontinuance. The publication of a nominal number of copies for the sole purpose of protecting a trademark shall not be deemed a continuation of publication

C. The Customer reserves the right to terminate, subject to The Printer's right to cure, this contract (as outlined below) whenever the quality of the service provided by The Printer, including without limitation the printing, binding, inkjetting, mailing or packing fall below standards of the industry or fails to live up to the needs of The Customer.

a. If Termination process is initiated by The Customer, because of any of the reasons above, The Customer must notify The Printer in writing specifying the issues or problems at hand; if The Printer fails to correct those conditions to The Customer's reasonable satisfaction within 60 days, the contract will be terminated. Should this agreement be terminated, The Printer, will remit all credits and rebates within 60 days of the termination of this agreement.

D. Upon termination of this agreement for whatever cause, all unpaid sums for any of the Work done or in process as of the date of termination, whether or not invoiced at the date, "shall become immediately due and payable" for causes attributable to The Customer. Notwithstanding the foregoing, in the event this Agreement is terminated for causes attributable to the negligence of The Printer or for the reasons stated in 6C, all unpaid sums for any of the work done or in process excluding handling fees to load product for shipment as of the date of such termination shall be payable in accordance with the terms set forth in section 4G of this Agreement.

In the event of termination pursuant to Paragraph 6B above, The Customer shall also reimburse The Printer for actual costs incurred without limitation including paper (limited to that paper which has been shipped and not used) in

connection with its performance under this Agreement which it cannot avoid through reasonable control. Any materials reimbursed for, become the property of The Customer.

[LOGO]

7. FORCE MAJEURE

A. If either party is unable to perform hereunder because of war, fire, strikes, labor strife or slowdown, civil commotion, freight embargoes, material shortages, floods, or other acts of God, action of any governmental authority (including, without limitation, priorities or restrictions effected pursuant to the provisions of emergency legislation by any governmental authority) or any other causes of like or unlike nature beyond its reasonable control, the party so unable to perform shall give prompt notice thereof and shall thereby be excused from such performance during the continuation of such period of inability, provided, however, that The Customer shall accept and pay for all copies of the catalogs that have been printed for it before its written notice to The Printer of any such inability to perform.

If such interruption shall continue for a period of six (6) months or more, either party shall have the right to terminate this agreement at the expiration of said period by giving the other party thirty (30) days advance notice thereof.

B. If The Printer notifies The Customer in writing that it is unable to secure one or more of the materials necessary for production of the catalog program required, after reasonable efforts to acquire such materials, hereunder to be furnished by The Printer, The Customer may, at its option, purchase such materials and furnish them to The Printer until such inability ceases. In such case, The Customer shall be granted an allowance equal to the cost of the materials supplied, and The Customer shall not be charged the handling fee provided for in Article 5 above on such materials.

8. LIBEL

The Customer shall indemnify and hold The Printer harmless from and against any and all claims for libel, copyright infringement, plagiarism, unauthorized additions, omissions, or modifications, and any other claims that any rights have been infringed by the literary or artwork included in the catalog program; provided that such claims are based upon matters which were contained in the copy furnished to The Printer by The Customer and are not based on any unauthorized deletions, modifications or additions to such copy by The Printer. The Printer shall promptly notify The Customer of any and all such claims in writing, and shall afford The Customer an opportunity to defend the same for and on behalf of The Printer. The Customer shall pay the cost for such defense, whether it shall be conducted by The Customer or by The Printer at The Customer's request, provided that notice of suit and opportunity to defend shall have been given as aforesaid.

If The Customer elects to defend such suit, The Printer may participate in such defense at its own expense. The Printer similarly shall indemnify and hold The Customer harmless from and against all such claims or suits for libel, copyright infringement, plagiarism, unauthorized additions, omissions, or modifications, and any other claims that any such rights have been infringed as aforesaid, because of the failure of The Printer or any of its

[LOGO]

employees accurately to reproduce the copy, artwork and illustrations furnished by The Customer. All the foregoing terms shall apply mutatis mutandis.

9. CREDIT REVIEW

Should there be substantial adverse change in The Customer's credit standing or in the event that The Customer does not comply with the payment provisions hereunder, The Printer shall have the right to change terms of payment and its obligation to perform further work will be subject to reaching mutual agreement on such revised terms. Upon the request of The Customer, The Printer will initiate a credit review 120 days following the change in terms and 180 days thereafter. The Customer has the right to terminate this contract if The Printer wants to change the terms of this Agreement due to a credit review and The Customer has not breached the terms of this Agreement and The Customer and The Printer cannot come to a mutual agreement.

1O. BANKRUPTCY

If either party shall be adjudicated a bankrupt, institute voluntary proceedings for bankruptcy or reorganization, make an assignment for the benefit of its creditors, apply for or consent to the appointment of a receiver for it or its property, or admit in writing its inability to pay its debts as they become due, the other party may terminate this agreement by written notice. Any such termination shall not relieve either party from any accrued obligations hereunder.

11. ADDITIONS OR MODIFICATIONS OF EQUIPMENT

The Customer may from time to time request The Printer in writing to install new equipment or modify its existing equipment either (i) to take into account technological changes and changes in the practices of the web offset catalog industry or (ii) to print copies of the catalogs other than by the web offset process. As soon as practicable after such request, The Printer shall notify The Customer in writing whether or not the requested addition or modification is technologically possible, practical and whether or not such change can be effected. If The Printer determines that such changes are feasible, the parties shall thereafter negotiate in good faith the adjustment of the Prices necessary to reflect any change in cost or any resulting savings which will be realized in the Work as a result of such change and enable The

Printer to recover the cost of all capital expenditures necessary for such addition or modification, over a reasonable period of time.

12. INSURANCE

The Printer shall carry, at its expense, fire, sprinkler leakage and extended coverage insurance, subject to the usual exclusions, limitations and conditions of such policies, for The Customer, and all work in process and any finished or furnished goods on the premises for less than 30 days while in The Printer's facilities, excluding the value

[LOGO]

of any materials furnished by The Customer, and on all materials furnished by The Printer, to the earlier of the date of shipping or date of invoicing. The Customer shall carry such insurance as it deems desirable on furnished positives, copy, paper, and other materials furnished by it, whether or not in process or completed, including the value of work performed in crating or producing such furnished items and, as to the value of The Printer's work or materials furnished by The Printer, on production completed which has been finally invoiced and not shipped after 30 days of invoicing. To the extent that The Customer carries such insurance, The Customer shall provide a waiver of subrogation in The Printer's favor on a materials furnished by The Customer.

13. CHANGES IN PRODUCTION SCHEDULE OR SPECIFICATIONS

Any last minute change requested by The Customer in the production schedule or specifications for the catalog program shall require, in each case, the prior consent of The Printer. The Printer shall use its best efforts to accommodate such request but may refuse to do so if (i) such changes are not feasible or practical because of limitations of labor or equipment, (ii) the equipment being utilized by The Printer for the Work is unable to accommodate such change; or (iii) The Customer and The Printer fail to agree to such adjustment of PRICES as is necessary to reflect any resulting increases in unit cost.

14. LIMITATION OF LIABILITY

In the event Work is defective or delayed due to the Printer's fault, The Printer will be liable for direct damages i.e. replacement costs associated with materials, printing, binding, and ink jet addressing. The Printer shall not be liable for any special, indirect or consequential damages, including, but not limited to, loss of advertising, circulation, profits, income or revenue, except that the foregoing limitations shall not be applicable in the event of a bad faith or willful refusal of The Printer to perform its obligations pursuant to this agreement or an anticipatory repudiation by The Printer of this agreement.

15. SALE OF COMPANY

If The Customer has agreed to sell its catalog program Paula Young or

substantially all of its assets, The Customer shall give The Printer 30 days' written notice of the closing of such sale, stating the name of the purchaser. Thereafter, The Customer shall keep The Printer fully advised of such closing and The Printer shall keep such information confidential. If The Printer consents to such assignment, The Customer shall use its best efforts to cause the purchaser concurrently with the consummation of such sale to assume all of The Customer's obligations under this Agreement by an instrument in writing satisfactory to both The Printer and The Customer.

[LOGO]

If The Printer shall not consent to the assignment by The Customer to such purchaser, this Agreement shall terminate upon the first to occur of the following events: (i) the closing of such sale, or (ii) the expiration of 180 days after The Printer advises The Customer that The Printer will not consent to the proposed assignment, unless within such 180 day period The Customer notifies The Printer that The Customer does not close such sale.

16. LIEN ON PROPERTY

As security for payment of any sum due or to become due to The Printer under the terms of this Agreement, The Printer shall have the right, if necessary, to retain possession of and shall have a lien on all materials, film, paper, catalogues, printed signatures and similar property owned by The Customer and in The Printer's possession, and all work in process and undelivered work.

17. REPRESENTATIVES

The Customer may at any time designate a production representative to visit the Printer's plant to observe, monitor and review quality, production, scheduling, delivery, paper, and other matters related to performance under this agreement. The Printer shall cooperate with and afford such employee reasonable access to its premises and personnel to facilitate performance of such functions.

18. ASSIGNMENT

This agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The Customer may not assign this agreement to any party other than a party who has acquired or is acquiring The Customer. No assignment of this agreement shall be made by either party to anyone other than an affiliate without consent of the other party, which consent shall not be unreasonably withheld.

In determining reasonableness as provided above, the relevant factors shall be the financial strength and the reputation of the assignee and the assignee's ability to comply with the provisions and obligations of this agreement. The assignee shall in each case assume in writing all of the obligations of the assignor.

19. APPLICABLE LAW

This agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed therein, and each party consents to jurisdiction over it of any Federal or State courts in New York.

[LOGO]

20. NOTICES

All notices claims, requests, demands and other communications hereunder will be in writing and will be deemed to have been duly given if delivered personally or transmitted by telecopier as follows:

(a) If to The Customer

Attention:_____

Telecopy No:_____

With a copy to:

(b) If to The Printer QUEBECOR PRINTING (USA) CORP.

Attention:_____

Telecopy No: (612)690-7520 and:

QUEBECOR PRINTING (USA) CORP.
125 High Street, 23rd Floor
Boston, MA 02110
Telecopy No: (617) 346-7300

21. ACCEPTANCE

This agreement, and any supplement, modification or amendment thereto, shall not be valid or become effective unless signed by a duly authorized officer of The Printer and The Customer.

22. PRICING IN THE EVENT OF ACQUISITION

In the event that The Customer acquires all of the outstanding stock or substantially all of the assets of a corporation which has entered into a printing agreement with The Printer at the date of such acquisition which printing agreement provides for comparatively lower manufacturing prices as measured on a unit cost basis than provided for in this Agreement, The Printer shall adjust the pricing of this Agreement effective as of the date of such

acquisition by The Customer so as to match the pricing provided for in such printing agreement. In the event The Customer acquires all of the outstanding stock or all of the assets of a corporation whose annual printing requirements equal or exceed 50% (fifty percent) of the annual print volume purchased by the customer under the terms of this Agreement and the Customer agrees to purchase such corporations annual print volume from the Printer, the Printer agrees to review the prices set forth in the price schedule.

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23. ENTIRE AGREEMENT

This agreement and the attached exhibits contain the entire agreement between the parties with respect to the subject matter thereof and supersedes all prior negotiations, memoranda, agreements and understandings. This agreement cannot be changed or terminated orally.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed in Boston, Massachusetts as of the day and year first above written.

By: /s/ Robert Sanford

By: /s/ James Monti 6/2/95

[LOGO]

FIRST AMENDMENT
TO
PRINTING AGREEMENT

THIS AMENDMENT AGREEMENT (the "Amendment") effective as of March 8, 1996, is between QUEBECOR PRINTING (USA) CORP., a Delaware corporation, with offices at 125 High Street, Boston MA 02110 ("Printer") and SC Incorporated (d/b/a SC Direct, Inc. in the state of Massachusetts) SC Publishing, and Royal Advertising, a Massachusetts corporation with offices at 21 Bristol Drive, S. Easton, Massachusetts 02375 ("Customer").

WHEREAS, Customer and Printer have previously entered into an agreement dated as of June 2, 1995 ("the Agreement") under which Printer agreed to print and Customer agreed to purchase certain quantities of Customer's catalog program, and

WHEREAS, Customer and Printer desire to amend the Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, the parties hereto agree as follows:

1. All capitalized terms herein, unless otherwise defined herein, shall have the same meanings as provided in the Agreement.

2. The first paragraph of Section 4.G of the Agreement is deleted in its entirety and replaced with the following:

> "Printer shall issue invoices for paper no less than fourteen (14) days prior to press dates. If Printer receives payment within ten (10) days of the date of such invoice, the invoice amount shall be discounted by two percent (2%). Otherwise, Customer shall pay said invoice no later than thirty (30) days from the date thereof. Printer shall issue invoices for (i) manufacturing, ink, list services, etc. on or about the fourteenth (14th) day after the press date and (ii) all bindery production on or about the eighth (8th) day of every month for Work produced in the preceding month. If Printer receives payment within ten (10) days of the date of such invoices the invoice amounts shall be discounted by two percent (2%). Otherwise, Customer agrees and shall pay said invoices no later than sixty (60) days from the dates thereof.

[LOGO]

> Customer's credit limit shall include its entire accounts payable and all costs, including paper, work in process and finished Work for which an invoice has not yet been issued (the "Exposure Cap"). The Exposure Cap shall be $550,000. If at any time Customer exceeds its Exposure Cap, Customer shall, upon receipt of written notice from Printer, immediately remit to Printer the amount exceeding the Exposure Cap. If (i) Customer is overdue on invoices for paper, manufacturing or binding during a period of ninety (90) consecutive days or (ii) Printer notifies Customer that invoices are overdue six (6) times within a period of any twelve (12) consecutive months, Customer's payment terms shall be changed to 2% 10, Net 20 five (5) days after the date of the sixth notice. If Customer then complies with the revised payment terms on all invoices for a period of sixty (60) consecutive days, Customer's payment terms shall revert to 2% 10, Net 30 for paper invoices and 2% 10, Net 60 for manufacturing and binding invoices. Customer shall pay interest on any invoice amount outstanding after the due date, except for amounts disputed in good faith as provided below, at the prime lending rate as from time to time established by Chase Manhattan/Bank plus one percent (1%). No delay or omission on the part of the Printer in exercising any right hereunder shall be deemed a waiver of

such right or any other remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of such right or remedy on any future occasion.

3. In all other respects, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment to be effective as of the day and year just above written.

SC DIRECT, INC.	QUEBECOR PRINTING (USA) CORP.
/s/ James M. Crowley	/s/ James Monti
Name:	Name: James Monti
Title: Director, Production	Title: V.P. Sales, N.E. Region

EXHIBIT 10.26

SCHEDULE X

PLAN OF REORGANIZATION

PLEASE SEE ATTACHED

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF CONNECTICUT
BRIDGEPORT DIVISION

IN RE:	:	CHAPTER 11
SC CORPORATION,	:	Case Nos. 92-54262(ASD)
	:	
WIGS BY PAULA, INC.,	:	92-54263
A/K/A PAULA YOUNG,	:	
A/K/A ROYAL ADVERTISING, INC.,	:	
	:	
AFTER THE STORK, INC.,	:	92-54264
	:	
WESTERN SCHOOLS, INC.,	:	92-54265
A/K/A WESTERN SCHOOLS,	:	
	:	
BROTMAN ACQUISITION CORP.,	:	92-54266
a/k/a SPECIALTY FABRIC CLUB,	:	
a/k/a NATURAL FIBER FABRIC CLUB,	:	
a/k/a SEVENTH AVENUE DESIGNER FABRIC CLUB,	:	
a/k/a FABRICS IN VOGUE/BUTTERICK,	:	
	:	(JOINTLY ADMINISTERED)
DEBTORS.	:	

FIRST AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION
OF
SC CORPORATION, WESTERN SCHOOLS, INC.

AND WIGS BY PAULA, INC.

SEPTEMBER 21, 1994/1/

KLEBAN & SAMOR, P.C.
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-- --
The Debtors and Debtors-in-Possession

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Attorneys for Dickstein Partners Inc.
Attorneys for Viking Holdings Limited

_____

/1/ As amended by the Bankruptcy Court on October 26, 1994.

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<CAPTION>

Exhibits

SC Corporation, Wigs by Paula, Inc. and Western Schools, Inc., as debtors and debtors-in-possession, and Dickstein Partners Inc. and Viking Holdings Limited propose this joint plan of reorganization of SC Corporation, Wigs by Paula, Inc. and Western Schools, Inc.:

ARTICLE I

DEFINITIONS

Rules of Interpretation. As used herein, the following terms have the respective meanings specified below, and such meanings shall be equally applicable to both the singular and plural, and masculine and feminine, forms of the terms defined. The words "herein", "hereof", "hereto", "hereunder" and others of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained in the Plan. Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose or affect the interpretation of the Plan in any way. The rules of construction set forth in Section 102 of the Bankruptcy Code shall apply. Any capitalized term used herein that is not defined herein but is defined in the Bankruptcy Code shall have the meaning ascribed to that term in

the Bankruptcy Code. In addition to such other terms as are defined in other sections of the Plan, the following terms (which appear in the Plan as capitalized terms) have the following meanings as used in the Plan.

1.01. Administrative Expense Claim means any Claim entitled to the priority afforded by Sections 503(b) and 507(a)(1) of the Bankruptcy Code, other than the Signal Claims.

1.02. Allowed means (i) with respect to a Claim (other than an Administrative Expense Claim), any such Claim, proof of which was timely and properly filed or, if no proof of claim was so filed, which is listed on the Schedules as liquidated in amount and not disputed or contingent, and, in either case, a Claim as to which no objection to the allowance thereof, or motion to estimate for purposes of allowance, shall have been filed on or before any applicable period of limitation that may be fixed by the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or as to which any objection, or any motion to estimate for purposes of allowance, shall have been so filed, to the extent allowed by a Final Order and (ii) with respect to an Administrative Expense Claim, any such Administrative Expense Claim as to which no objection to the allowance thereof has been interposed on or before any applicable period of limitation that may be fixed by the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or as to which any objection has been so interposed, to the extent allowed by a Final Order.

1.03. Bankruptcy Code means the Bankruptcy Reform Act of 1978, as amended from time to time, set forth in Sections 101 et seq. of title 11 of the
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United States Code.

1.04. Bankruptcy Court means the United States Bankruptcy Court for the District of Connecticut, Bridgeport Division, or such other court that exercises jurisdiction over the Chapter 11 Cases or any proceeding therein, including the United States District Court for the District of Connecticut to the extent reference of the Chapter 11 Cases or any proceeding therein is withdrawn.

1.05. Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure, as amended from time to time, including the local rules and standing orders of the Bankruptcy Court.

1.06. Business Day means a day other than a Saturday, Sunday or other day on which banks in New York, New York are authorized or required by law to be closed.

1.07. Chapter 11 Cases means the pending cases under chapter 11 of the Bankruptcy Code with respect to the Debtors, jointly administered, pending in the District of Connecticut, Bridgeport Division, Chapter 11 Case Nos. 92-54262, 92-54263 and 94-54265 (ASD).

1.08. Claim means (a) any right to payment from a Debtor arising on

or before the Effective Date, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (b) any right to an equitable remedy against a Debtor arising on or before the Effective Date for breach of performance if such breach gives rise to a right of payment from a Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

1.09. Class means one of the classes of Claims or Interests defined in Article III hereof.

1.10. Confirmation Date means the date on which the Confirmation Order is entered on the docket of the Bankruptcy Court.

1.11. Confirmation Order means the order of the Bankruptcy Court confirming the Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code.

1.12. Debtor Securities Purchase Agreement means an agreement, in the form of EXHIBIT A hereto, among the Reorganized Debtors and one or more of the Investors.

1.13. Debtors means SC Corporation, Wigs and Western, as debtors and debtors-in-possession. From and after the Effective Date, the term Debtors shall mean the Reorganized Debtors.

1.14. DIP Financing Stipulation and Order means the Joint Stipulation and Agreed Order Authorizing Post-Petition Financing, Providing for Adequate Protection, and Granting Liens and Super-Priority Expense entered by the Bankruptcy Court on January 15, 1993, in these Chapter 11 Cases.

1.15. Dickstein means Dickstein Partners Inc.

1.16. Disclosure Statement means the disclosure statement approved by the Bankruptcy Court for the solicitation of votes on the Plan (as such disclosure statement may be amended from time to time).

1.17. Effective Date means the Business Day on which all of the conditions specified in Section 8.01 hereof are first satisfied and/or waived in accordance with Section 8.02 of the Plan.

1.18. Final Order means an order or judgment entered on the docket of the Bankruptcy Court or any other court exercising jurisdiction over the subject matter and the parties (a) that has not been reversed, stayed, modified or amended, (b) as to which no appeal, certiorari proceeding, reargument or other review or rehearing has been requested or is still pending and (c) as to which the time for filing a notice of appeal or petition for certiorari, or request

for reargument or further review or rehearing shall have expired.

1.19. Interest means any equity security (as defined in the Bankruptcy Code) in any Debtor.

1.20. Investors means Dickstein and/or Viking and/or their respective designees. To the extent that the Signal Agreement places restrictions on who such designees may be, the Plan shall comply with such restrictions.

1.21. New Agreements means the Debtor Securities Purchase Agreement, the Signal Securities Purchase Agreement, the Noteholder Securities Purchase Agreement and the Release.

1.22. New Common Stock means the common stock of Reorganized SC Corporation, par value $.01 per share, to be authorized for issuance under the amended certificate of incorporation of SC Corporation provided for in Section 6.03 of this Plan.

1.23. New Financing Facility means a credit agreement and related documents to be entered into pursuant to the Plan among the Reorganized Debtors and one or more lenders, which agreements and documents shall be acceptable to Dickstein and Viking.

1.24. New Preferred Stock means the preferred stock of Reorganized SC Corporation, to be authorized for issuance under the amended certificate of incorporation of SC Corporation provided for in Section 6.03 of this Plan, consistent with the Term Sheet annexed hereto as EXHIBIT F.

1.25. New Subordinated Notes means the subordinated notes of Reorganized SC Corporation with terms consistent with the Term Sheet annexed hereto as EXHIBIT E, which form of New Subordinated Notes shall be filed with the Bankruptcy Court on or prior to the Confirmation Date.

1.26. Noteholder Agreement means the agreement dated as of August 31, 1994, among Simon D. Young, Dickstein, Viking and the other signatories thereto.

1.27. Noteholder Securities Purchase Agreement means an agreement, in the form of EXHIBIT C hereto, between one or more of the Investors and Simon D. Young.

1.28. Old SC Corporation Common Stock means the existing class of common stock of SC Corporation, par value $ .01 per share.

1.29. Old Subordinated Notes means (i) the Promissory Note of SC Corporation to Simon D. Young, dated January 1, 1989, in the original principal amount of $1,500,000, (ii) the Promissory Note of SC Corporation to Alan Stopper and Janis Zloto, dated March 3, 1989, in the original principal amount of $350,000, (iii) the Promissory Note of SC Corporation to Daniel Stopper, dated

March 3, 1989, in the original principal amount of $150,000, and (iv) the Guaranty of SC Corporation to Fabrics In Vogue, Brotman, Inc., Elaine Brotman and Robert Brotman dated February 1989, as each may have been amended, and any guaranties of the foregoing.

1.30. Old Western Common Stock means the existing class of common stock of Western.

1.31. Old Wigs Common Stock means the existing class of common stock of Wigs.

1.32. Other Priority Claim means any Claim for an amount entitled to priority in right of payment under Section 507(a)(3), (4), (5) or (6) of the Bankruptcy Code.

1.33. Person means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a joint venture, an estate, a trust, an unincorporated organization, a government or any political subdivision thereof or any other entity.

1.34. Plan means this joint plan of reorganization, as it may be amended from time to time.

1.35. Priority Tax Claim means a Claim, other than an Administrative Expense Claim, of a governmental unit of the kind entitled to priority under Section 507(a)(7) of the Bankruptcy Code.

1.36. Proponents means the Debtors, Dickstein and Viking, so long as each remains a proponent of the Plan.

1.37. Related Debtors means Brotman Acquisition Corp., After the Stork, Inc. and Mocat, L.P., as debtors and debtors-in-possession in pending chapter 11 cases.

1.38. Release means the Release to be executed by Signal in the form of EXHIBIT D hereto.

1.39. Reorganized Debtors means Reorganized SC Corporation, Reorganized Western and Reorganized Wigs.

1.40. Reorganized SC Corporation means SC Corporation from and after the Effective Date.

1.41. Reorganized Western means Western from and after the Effective Date.

1.42. Reorganized Wigs means Wigs from and after the Effective Date.

1.43. SC Corporation means SC Corporation, a Delaware corporation.

1.44. Schedules means, collectively, the schedules of assets and liabilities and the statement of financial affairs filed by the Debtors pursuant to Section 521 of the Bankruptcy Code, as the same may be amended from time to time.

1.45. Secured Claim means any Claim, to the extent it constitutes a secured Claim under Section 506(a) or 1111(b) of the Bankruptcy Code, other than a Claim that is an Administrative Expense Claim or Class 1 or Class 2 Claim.

1.46. Signal means Signal Capital Corporation, a Delaware corporation.

1.47. Signal Agreement means the Agreement dated as of August 8, 1994, among Signal, Dickstein, Viking and the other signatories thereto.

1.48. Signal Claims means (i) all of Signal's pre- and post-petition claims against and equity securities (as defined in the Bankruptcy Code) in any or all of the Debtors and the Related Debtors (in each case including, without limitation, any claims for substantial contribution by or on behalf of Signal or its attorneys under Section 503 of the Bankruptcy Code), including without limitation any and all claims in respect of or in connection with (x) the DIP Financing Stipulation and Order or (y) any or all of the nine orders in these Chapter 11 Cases authorizing the Debtors to use cash collateral (the "Cash Collateral Orders"), (ii) all of Signal's interests in any property of any or all of the Debtors and the Related Debtors (including without limitation cash reserve accounts and other collateral), and (iii) all of Signal's claims (if any) against present or former creditors, equity holders, control persons, affiliates, officers, directors, employees, consultants and agents of any or all of the Debtors and the Related Debtors. It is specifically acknowledged that Signal's interest in the "Second Reserve" accounts for Wigs and Western established under the Cash Collateral Orders is included within the preceding clause "ii". The word "claims" in this definition shall mean "claims" as defined in Section 101(5) of the Bankruptcy Code, but disregarding for this purpose the words "if such breach gives rise to a right of payment" in that Section.

1.49. Signal Securities Purchase Agreement means an agreement, in the form of EXHIBIT B hereto, between Signal and one or more of the Investors.

1.50. Viking means Viking Holdings Limited, a British Virgin Islands corporation.

1.51. Western means Western Schools, Inc., a California corporation.

1.52. Wigs means Wigs By Paula, Inc., a Massachusetts corporation.

ARTICLE II

ADMINISTRATIVE EXPENSE CLAIMS

2.01. Administrative Expense Claims. Each holder of an Allowed Administrative Expense Claim shall be paid in full in cash as soon as practicable after (but in any event within 10 days of) the later of (a) the Effective Date and (b) the date on which such Administrative Expense Claim becomes Allowed, unless such holder shall agree to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim).

ARTICLE III

CLASSIFICATION

For purposes of the Plan, Claims and Interests are classified as provided below. A Claim or Interest is classified in a particular Class only to the extent that such Claim or Interest qualifies within the description of that Class and is classified in a different Class to the extent that such Claim or Interest qualifies within the description of such different Class.

3.01. Class 1: Priority Tax Claims. Class 1 consists of all Priority Tax Claims.

3.02. Class 2: Other Priority Claims. Class 2 consists of all Other Priority Claims, other than the Signal Claims.

3.03. Class 3: Miscellaneous Secured Claims. Class 3 consists of each Secured Claim, other than the Signal Claims.

3.04. Class 4: Signal Claims. Class 4 consists of the Signal Claims. Notwithstanding anything to the contrary herein, all of the Signal Claims shall be classified exclusively in Class 4.

3.05. Class 5: General Unsecured Claims Against SC Corporation. Class 5 consists of all Claims against SC Corporation, other than Claims that are otherwise classified hereby or are Administrative Expense Claims.

3.06. Class 6: General Unsecured Claims Against Western. Class 6 consists of all Claims against Western, other than Claims that are otherwise classified hereby or are Administrative Expense Claims.

3.07. Class 7: General Unsecured Claims Against Wigs. Class 7

consists of all Claims against Wigs, other than Claims that are otherwise classified hereby or are Administrative Expense Claims.

3.08. Class 8: Old Subordinated Note Claims. Class 8 consists of all Claims relating to, or arising under, in respect of, or in connection with the Old Subordinated Notes.

3.09. Class 9: Old SC Corporation Common Stock. Class 9 consists of all Old SC Corporation Common Stock, and all Claims arising from rescission of a purchase or sale of such stock, or for damages arising from such a purchase or sale.

3.10. Class 10: Old Western Common Stock. Class 10 consists of all Old Western Common Stock, and all Claims arising from rescission of a purchase or sale of such stock, or for damages arising from such a purchase or sale.

3.11. Class 11: Old Wigs Common Stock. Class 11 consists of all Old Wigs Common Stock, and all Claims arising from rescission of a purchase or sale of such stock, or for damages arising from such a purchase or sale.

3.12. Class 12: Old SC Corporation Interests. Class 12 consists of all Interests in SC Corporation, other than Interests that are otherwise classified hereby, and all Claims arising from rescission of a purchase or sale of such Interests, or for damages arising from such a purchase or sale.

3.13. Class 13: Old Western Interests. Class 13 consists of all Interests in Western, other than Interests that are otherwise classified hereby, and all Claims arising from rescission of a purchase or sale of such Interests, or for damages arising from such a purchase or sale.

3.14. Class 14: Old Wigs Interests. Class 14 consists of all Interests in Wigs, other than Interests that are otherwise classified hereby, and all Claims arising from rescission of a purchase or sale of such Interests, or for damages arising from such a purchase or sale.

ARTICLE IV

TREATMENT OF UNIMPAIRED CLASSES

4.01. Class 1 (Priority Tax Claims). Each holder of an Allowed Class 1 Claim shall be paid in full in cash the amount of its Allowed Class 1 Claim on the later of

(i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder shall agree to a different treatment of such Claim.

4.02. Class 2 (Other Priority Claims). Each holder of an Allowed Class 2 Claim shall be paid in full in cash the amount of its Allowed Class 2 Claim on the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder shall agree to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim).

4.03. Class 3 (Miscellaneous Secured Claims). With respect to each Allowed Class 3 Claim, unless the holder thereof shall agree to a different treatment of such Claim, such Claim shall receive one of the following alternative treatments, at the election of the pertinent Debtor made on or prior to the Effective Date:

(i) Such Claim shall be paid in full in cash on the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed, unless such holder shall agree to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in the documentation governing such Claim).

(ii) The legal, equitable and contractual rights to which such Claim entitles the holder thereof shall be unaltered by the Plan.

(iii) Such Claim shall receive the treatment described in Section 1124(2) of the Bankruptcy Code.

(iv) All collateral securing such Claim shall be transferred and surrendered to such holder, without representation or warranty by or recourse against the Debtors.

With respect to any Claim which receives the treatment described in clause "ii" or "iii" above, the Debtors' failure to object to such Claim in these Chapter 11 Cases shall be without prejudice to the Debtors' right to contest or otherwise defend against such Claim in an applicable non-bankruptcy forum when and if such Claim is sought to be enforced by the holder thereof after the Effective Date.

4.04. Class 10 (Old Western Common Stock). SC Corporation, as the holder of all of the outstanding Old Western Common Stock, shall retain ownership thereof upon the Effective Date. Upon the Effective Date, Western shall be a direct, wholly-owned subsidiary of Reorganized SC Corporation.

4.05. Class 11 (Old Wigs Common Stock). SC Corporation, as the holder of all of the outstanding Old Wigs Common Stock, shall retain ownership thereof upon the Effective Date. Upon the Effective Date, Wigs shall be a direct, wholly-owned subsidiary of Reorganized SC Corporation.

4.06. Acceptance by Unimpaired Classes. By virtue of the foregoing provisions of this Article IV, the Claims in Classes 1, 2, 3, 10 and 11 are not impaired by the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, those

classes are conclusively presumed to have accepted the Plan, and solicitation of acceptances of holders in such classes is not required.

ARTICLE V

TREATMENT OF IMPAIRED CLASSES

5.01. Class 4 (Signal Claims). On the Effective Date, Signal, as the holder of the Signal Claims, shall receive, in exchange for the Signal Claims, (i) $15,508,726, less any amounts applied as indefeasible payments made to Signal in respect of the Signal Claims between August 8, 1994 and the Effective Date, other than amounts paid as interest on Signal's post-petition loans pursuant to the DIP Financing Stipulation and Order, (ii) $1,673,453 of New Subordinated Notes, (iii) 10,227 shares of New Preferred Stock and (iv) 295,121 shares of New Common Stock; provided, however, that the exact proportions of cash, New Subordinate Notes, New Preferred Stock and New Common Stock to be distributed to Signal may be modified by the Proponents, on notice to Signal, on or prior to the commencement of voting on the Plan. Pursuant to the Signal Agreement, any and all Signal Claims that are not discharged or released pursuant to the Plan shall, on the Effective Date, be deemed transferred to Reorganized SC Corporation with no further action by Signal, any of the Reorganized Debtors or any other Person, and, in connection therewith, Signal shall be deemed to have made the representations and warranties to Reorganized SC Corporation set forth in Sections 12(iii)(A) and (B) of the Signal Agreement. Pursuant to the Debtor Securities Purchase Agreement, Viking is cancelling its participation interest in the Signal Claims as of the Effective Date in exchange for securities of Reorganized SC Corporation, and it shall not share in any of the distributions to Signal. Signal will not share in any distributions to Viking, whether in respect of or in connection with such cancellation or otherwise.

5.02. Class 5 (General Unsecured Claims Against SC Corporation). On the Effective Date, the holder of an Allowed Class 5 Claim shall receive, in exchange for such Claim, cash in the amount of 10% of such Allowed Class 5 Claim, unless such holder shall agree to a lesser treatment. No distribution shall be made to holders of Class 5 Claims in respect of post-petition interest.

5.03. Class 6 (General Unsecured Claims Against Western). On the Effective Date, the holder of an Allowed Class 6 Claim shall receive, in exchange for such Claim, cash in the amount of 60% of such Allowed Class 6 Claim, unless such holder shall agree to a lesser treatment. No distribution shall be made to holders of Class 6 Claims in respect of post-petition interest.

5.04. Class 7 (General Unsecured Claims Against Wigs). On the Effective Date, the holder of an Allowed Class 7 Claim shall receive, in exchange for such Claim,

cash in the amount of 60% of such Allowed Class 7 Claim, unless such holder shall agree to a lesser treatment. No distribution shall be made to holders of Class 7 Claims in respect of post-petition interest.

5.05. Class 8 (Old Subordinated Note Claims). The holders of Allowed Class 8 Claims shall receive, in the aggregate, 100,000 shares of New Common Stock. Such shares shall be distributed pro rata to such holders based on the amount of Allowed Class 8 Claims, and in exchange for such Claims, held by such holders. No distributions shall be made to holders of Class 8 Claims in respect of post-petition interest.

5.06. Class 9 (Old SC Corporation Common Stock). No distributions shall be made in respect of Class 9. All Claims and Interests in Class 9 shall be discharged and cancelled.

5.07. Class 12 (Old SC Corporation Interests). No distributions shall be made in respect of Class 12. All Claims and Interests in Class 12 shall be discharged and cancelled.

5.08. Class 13 (Old Western Interests). No distributions shall be made in respect of Class 13. All Claims and Interests in Class 13 shall be discharged and cancelled.

5.09. Class 14 (Old Wigs Interests). No distributions shall be made in respect of Class 14. All Claims and Interests in Class 14 shall be discharged and cancelled.

5.10. Impaired Classes and Equity Interests. By virtue of the foregoing provisions of this Article V, Classes 4, 5, 6, 7, 8, 9, 12, 13 and 14 are impaired under the Plan. Pursuant to Section 1126(a) of the Bankruptcy Code, holders of Claims in Classes 4, 5, 6, 7 and 8 are entitled to vote to accept or reject the Plan. Holders in Classes 9, 12, 13 and 14 are receiving no distribution under the Plan and, pursuant to Section 1126(g) of the Bankruptcy Code, are deemed to reject the Plan.

ARTICLE VI

IMPLEMENTATION OF THE PLAN

6.01. Debtor Securities Purchase Agreement. On the Effective Date, Reorganized SC Corporation will sell, pursuant to the Debtor Securities Purchase Agreement, (i) $1,926,547 of New Subordinated Notes, (ii) 11,773 shares of New Preferred Stock and (iii) 454,879 shares of New Common Stock, for an aggregate purchase price (before fees and expenses) of not less than $3,558,726 (payable in cash or the other consideration referred to in the Debtor Securities Purchase Agreement); provided, however, that the exact proportions and amounts of New Subordinated Notes, New Preferred Stock and New Common Stock to be received under the Debtor Securities Purchase Agreement may be modified by the

Proponents, so long as such aggregate purchase price is not reduced, and at

the election of the Proponents, additional capital may be raised in return for additional New Subordinated Notes, New Preferred Stock, New Common Stock and/or other securities.

6.02. Other Securities Purchase Agreements. On the Effective Date (a) pursuant to the Signal Agreement, Signal and one or more of the Investors shall enter into and consummate the Signal Securities Purchase Agreement, and (b) pursuant to the Noteholder Agreement, one or more of the Investors and Simon D. Young shall enter into and consummate the Noteholder Securities Purchase Agreement.

6.03. Charter Amendments. On the Effective Date, (i) the certificate of incorporation of SC Corporation shall be amended to authorize the issuance of New Preferred Stock and New Common Stock in amounts at least sufficient to provide for the issuance of shares provided hereby and (ii) the certificate of incorporation of each of SC Corporation, Western and Wigs shall be amended to prohibit the issuance of nonvoting equity securities to the extent required by Section 1123(a)(6) of the Bankruptcy Code and to include such other changes as Dickstein and Viking may determine. The forms of such amendments shall be filed with the Bankruptcy Court on or prior to the Confirmation Date and filed with the Department of State of the respective Reorganized Debtors' states of incorporation on or promptly after the Effective Date. After the Effective Date, each of the Reorganized Debtors may further amend its certificate of incorporation and may amend its by-laws, in accordance with such certificate, such by-laws and applicable state law.

6.04. Issuance of New Securities. On the Effective Date, Reorganized SC Corporation shall issue the New Subordinated Notes, the New Preferred Stock and the New Common Stock for distribution or sale in accordance with the provisions of the Plan.

6.05. New Financing Facility. On the Effective Date, the Reorganized Debtors shall enter into the New Financing Facility.

6.06. Cancellation of Existing Securities, Instruments and Agreements. On the Effective Date, except as otherwise provided herein, all securities, instruments and agreements governing any Claims or Interests impaired hereby shall be deemed cancelled and terminated, and the obligations of the Debtors relating to, arising under, in respect of or in connection with such securities, instruments or agreements shall be discharged; provided, however, that except as otherwise provided herein, notes and other evidences of Claims shall, effective upon the Effective Date, represent the right to participate in the distributions contemplated by the Plan.

6.07. Effectiveness of Securities, Instruments and Agreements. On the Effective Date, all securities, instruments and agreements issued or entered

into pursuant to the Plan, including, without limitation, (i) the New Subordinated Notes, (ii) the New Preferred Stock, (iii) the New Common Stock, (iv) the Debtor Securities Purchase Agreement, (v) the Signal Securities Purchase Agreement, (vi) the Noteholder Securities Purchase Agreement, (vii) the Release and (viii) any security, instrument or agreement entered into in connection with any of the foregoing, in each case, shall become effective and binding in accordance with their respective terms and conditions upon the parties thereto.

6.08. Waiver of Subordination. The distributions under the Plan take into account the relative priority of each class in connection with any contractual subordination provisions relating thereto. Accordingly, the distributions under this Plan shall not be subject to levy, garnishment, attachment, or other legal process by any holder (a "Senior Creditor") of a Claim or Interest purporting to be entitled to the benefits of such contractual subordination. On the Effective Date, all Senior Creditors shall be deemed to have waived any and all contractual subordination rights which they may have with respect to such distribution, and shall be permanently enjoined from enforcing or attempting to enforce any such rights with respect to the distributions under this Plan.

6.09. Surrender of Securities. Each holder of a share certificate, promissory note or other instrument evidencing or securing an Interest or a Claim impaired hereby shall surrender the same to the pertinent Debtor, and the pertinent Debtor shall distribute or shall cause to be distributed to the holders thereof the appropriate distribution of property hereunder. No distribution of property hereunder shall be made to or on behalf of any such holder unless and until such promissory note, instrument or share certificate is received by the pertinent Debtor, or the unavailability of such note, instrument or share certificate is established to the satisfaction of the pertinent Debtor. Any such holder that fails to surrender or cause to be surrendered such promissory note, instrument or share certificate, or to execute and deliver an affidavit of loss and indemnity satisfactory to the pertinent Debtor, and, in the event that the pertinent Debtor so requests, fails to furnish a bond in form and substance (including, without limitation, with respect to amount) satisfactory to the pertinent Debtor within two years after the Confirmation Date, shall be deemed to have forfeited all Claims or Interests against the pertinent Debtor represented by such note, instrument or share certificate and shall not participate in any distribution hereunder in respect of such note, instrument or share certificate and all property in respect of such forfeited distribution, including (if applicable) interest accrued thereon, shall revert to the pertinent Reorganized Debtor. Notwithstanding the foregoing, all Claims shall be discharged by this Plan and all Interests shall be terminated to the extent provided herein regardless of whether and when any surrender, indemnity or bond required by this Section is provided, and regardless of whether a Debtor makes a distribution hereunder in the absence of compliance by any holder of a Claim with the requirements of this Section. The pertinent Debtor may waive the requirements of this Section. If a Debtor waives these requirements, that

Debtor may (but need not), as an alternative to those requirements, make distributions on account of securities solely to holders of record on such date (on or after the Confirmation Date) as the Bankruptcy Court may designate for this purpose (in which event transfers of record after that date shall be disregarded for the purpose of making distributions under the Plan).

6.10. Releases.

(a) Effective on the Effective Date, and without the necessity of any further act (but subject to Signal's compliance with Section 6.10(b) hereof):

(i) Each of the Debtors and the Related Debtors, on behalf of itself and its successors, assigns, employees, agents, officers, directors, attorneys and representatives (in their capacity as such) (collectively, the "Releasors") hereby releases, acquits and forever discharges Signal, its affiliates, parents and subsidiaries,

and each of its and their respective officers, directors, employees, shareholders, partners, attorneys, representatives, agents, heirs, successors and assigns (in their capacity as such) (all of which are collectively called the "Releasees") of and from any and all claims, liabilities, causes of action, obligations or demands of whatsoever nature, whether known or unknown, liquidated or unliquidated, direct or indirect, whether suspected or unsuspected, whether having arisen or hereafter to arise, in each case in any way relating to any of the Debtors or the Related Debtors, including but not limited to any claims of fraudulent conveyance, actual and constructive fraud, preferential transfers, breach of fiduciary, contractual or other duties, negligence, misconduct, conversion, or wrongful action or failure to act, which the Releasors ever had, now have or claim to have, or hereafter can, shall or may for any reason have, against the Releasees arising out of any matter or event relating to the Debtors or the Related Debtors and occurring contemporaneously with or prior to the Effective Date (collectively, the "Signal Liabilities"); provided, however, that none of the Releasors releases any of the Releasees from any claims or demands arising out of or in connection with the Signal Agreement.

(ii) The Releasors agree never to institute any action or suit at law or in equity against Releasees, or any one of them, nor to institute, prosecute, or (unless required by law, court order, subpoena or similar legal process) in any way aid in the institution or prosecution of any claim, demand, action, or cause of action, for damages, costs, loss of services, expenses, or compensation for, on account of, or in respect of any damage, loss, or injury either to person or to property, or to both, whether developed, undeveloped, resulting to, to result, known or unknown, past, present or future, arising out of or relating to the claims released hereby.

(iii) If any legal or equitable action or proceeding is brought by any Releasors and such action is deemed to be barred, in whole or in part, by reason hereof, the party bringing such barred action or proceeding, whether such action is settled or prosecuted to final judgment, shall pay all of the attorneys' fees and costs incurred by the party released hereby.

(b) On the Effective Date, Signal shall execute and deliver the Release to the Debtors and the Related Debtors.

(c) Effective on the Effective Date, and without the necessity of any further act:

(i) The Debtors and the Impaired Parties (as defined below) shall be deemed to have released the Debtors' Personnel (as defined below) from all Liabilities (as defined below), other than (in the case of releases by the Debtors) Liabilities in the form of financial debts or contractual obligations owing to any of the Debtors.

(ii) The Impaired Parties shall be deemed to have released all Indemnified Parties (as defined below) from all Liabilities, to the extent that the incurrence or payment of such Liabilities would entitle the respective Indemnified Parties or any third party (such as an insurer, whether by way of subrogation or

otherwise) to indemnification, reimbursement or contribution from any of the Debtors in respect of such Liabilities.

(d) The following definitions shall apply in this Section:

(i) "Debtors' Personnel" means all Persons (other than Signal) that, at or after the commencement of the Chapter 11 Cases, are or were employees, officers, directors, Affiliates, agents or representatives or holders of Interests of, consultants or advisors to, or professionals for any of the Debtors, acting in their capacity as such.

(ii) "Impaired Parties" means all holders of Claims or Interests impaired by the Plan, other than Signal, who have voted to accept the Plan, and any person or entity acting in a "derivative" capacity, that is, asserting a claim by or on behalf of such holder.

(iii) "Indemnified Parties" means all entities entitled to the benefits of indemnification, reimbursement or contribution obligations of any of the Debtors (whether such obligations arise in charter documents, by operation of law, pursuant to contract or otherwise) in effect at or before the commencement of the Chapter 11 Cases.

(iv) "Liabilities" means any and all claims, liabilities and

causes of action, of any kind, nature or description, whether matured or unmatured, contingent or absolute, liquidated or unliquidated, arising from or in connection with any act, omission or occurrence on or prior to the Solicitation Date.

(v) "Solicitation Date" means the date on which the Debtors commence their solicitation of votes on this Plan.

(e) Notwithstanding the foregoing, if and to the extent that the Bankruptcy Court concludes that the Plan cannot be confirmed with any portion of the foregoing Section 6.10(a) (as it relates to releases by the Related Debtors, whether on behalf of themselves or their respective successors, assigns, employees, agents, officers, directors, attorneys or representatives (in their capacity as such)) or Section 6.10(c) or (d), then the Plan may be confirmed with that portion excised so as to give effect as much as possible to those Sections without precluding confirmation of the Plan. If and to the extent the Bankruptcy Court confirms the Plan but excises any portion of Section 6.10(a) hereof, then, as of the Effective Date (but subject to Signal's compliance with Section 6.10(b) hereof), the Reorganized Debtors shall indemnify Releasees against any of the Signal Liabilities that would have been released hereby had the Bankruptcy Court not made such excision.

6.11. Management of Reorganized Debtors. On the Effective Date, the operation of each Reorganized Debtor shall become the general responsibility of the board of directors of that Reorganized Debtor in accordance with applicable law.

6.12. Setoffs. Other than with respect to Signal and the Signal Claims, each Reorganized Debtor may, but shall not be required to, set off against any Claim and the

payments or other distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever that such Debtor may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claim any Debtor may have against such holder.

6.13. Indefeasibility of Distributions. All distributions provided for under the Plan shall be indefeasible.

6.14. Distribution of Unclaimed Property. Any distribution of property (cash or otherwise) provided for under the Plan which is unclaimed after two years following the Effective Date shall irrevocably revert to the applicable Reorganized Debtor.

6.15. Saturday, Sunday or Legal Holiday. If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be

completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

6.16. Corporate Action. Upon entry of the Confirmation Order by the Clerk of the Bankruptcy Court, all actions contemplated by the Plan shall be authorized and approved in all respects (subject to the provisions of the Plan), including, without limitation, the following: (i) the adoption and filing of the amended certificate of incorporation of each of SC Corporation, Western and Wigs, (ii) the issuance by Reorganized SC Corporation of the New Subordinated Notes, the New Preferred Stock and the New Common Stock as provided herein, (iii) the execution, delivery and performance of the New Agreements and (iv) the execution, delivery and performance of all documents and agreements relating to any of the foregoing (including, without limitation, any security documents or mortgages). The issuance of the New Subordinated Notes, the New Preferred Stock and the New Common Stock pursuant to the Plan, the election of directors and officers of Reorganized SC Corporation pursuant to the Plan and the other matters provided for under the Plan involving the corporate structure of SC Corporation and/or Reorganized SC Corporation or any corporate action required by SC Corporation and/or Reorganized SC Corporation in connection with the Plan shall be deemed to have occurred and shall be in effect pursuant to Section 303 of the Delaware General Corporation Law and the Bankruptcy Code, without any requirement of further action by the shareholders or directors of SC Corporation and/or Reorganized SC Corporation. The election of directors and officers of Reorganized Western pursuant to the Plan and the other matters provided for under the Plan involving the corporate structure of Western and/or Reorganized Western or any corporate action required by Western and/or Reorganized Western in connection with the Plan shall be deemed to have occurred and shall be in effect pursuant to Section 1400 of the California Corporations Code and the Bankruptcy Code, without any requirement of further action by the shareholders or directors of Western and/or Reorganized Western. The election of directors and officers of Reorganized Wigs pursuant to the Plan and the other matters provided for under the Plan involving the corporate structure of Wigs and/or Reorganized Wigs or any corporate action required by Wigs and/or Reorganized Wigs in connection with the Plan shall be deemed to have occurred and shall be in effect pursuant to Section 73 of the Massachusetts Business Corporation Law and the Bankruptcy Code, without any requirement of further action by the

shareholders or directors of Wigs and/or Reorganized Wigs. On the Effective Date, the appropriate officers and directors of the Reorganized Debtors are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan in the name of and on behalf of the Reorganized Debtors. Pursuant to Section 303(a) of the Delaware General Corporation Law, actions taken pursuant to a confirmed plan of reorganization of a Delaware corporation have the same effect as if taken by unanimous action of the directors and shareholders of such corporation. Pursuant to Section 1400(a) of the California Corporations Code, actions taken pursuant to a confirmed plan of reorganization of a California corporation have the same effect as if taken by unanimous action of the directors and shareholders of such corporation.

Pursuant to Section 73(a) of the Massachusetts Business Corporation Law, actions taken pursuant to a confirmed plan of reorganization of a Massachusetts corporation have the same effect as if taken by unanimous action of the directors and shareholders of such corporation. Accordingly, pursuant to such Section 303(a), such Section 1400(a) and such Section 73(a), the Plan shall serve as consent of shareholders in lieu of an annual meeting and all action that would be required at such a meeting shall be deemed taken pursuant to the Plan.

6.17. Retiree Benefits. On and after the Effective Date, to the extent required by Section 1129(a)(13) of the Bankruptcy Code, each Reorganized Debtor shall continue to pay all retiree benefits (if any) as that term is defined in Section 1114 of the Bankruptcy Code, maintained or established by the corresponding Debtor prior to the Confirmation Date, without prejudice to the rights of each of the Reorganized Debtors under applicable non-bankruptcy law to amend, terminate or otherwise modify the foregoing arrangements.

6.18. Timing of Distributions. Notwithstanding anything to the contrary herein, and except for distributions in respect of the Signal Claims, any distribution required by the Plan to be made on the Effective Date in respect of a Claim shall be made as soon as practicable after (but in any event within 10 days of) the later of (i) the Effective Date and (ii) the date on which such Claim becomes Allowed and any other conditions to distribution with respect to such Claim have been satisfied. However, if, in reliance upon this Section 6.18, the Reorganized Debtors fail to remit on the Effective Date the cash distribution payable with respect to any Claim which has theretofore been Allowed, the Reorganized Debtors shall, on the Effective Date, deposit the amount of such delayed cash distribution in a segregated reserve account. The Reorganized Debtors shall hold such reserved amounts in trust for the benefit of the holders of Claims entitled thereto pending the distribution thereof in accordance with this Plan or as the Bankruptcy Court may otherwise order.

6.19. Final Order. Any requirement in the Plan for a Final Order may be waived by the Proponents.

6.20. Means for Execution. On the Effective Date, Signal shall execute and deliver to each of the Non-Signal Parties (as defined in the Signal Agreement), and each of the Non-Signal Parties shall execute and deliver to Signal, the release contemplated by Section 2(b)(iii) of the Signal Agreement.

ARTICLE VII

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.01. Assumption. Effective on and as of the Effective Date, all executory contracts and unexpired leases that exist between a Debtor and any Person are hereby specifically assumed, except for any executory contracts and

unexpired leases that have been specifically rejected by the pertinent Debtor on or before the Effective Date with the approval of the Bankruptcy Court, or in respect of which a motion for rejection has been filed with the Bankruptcy Court on or before the Effective Date. Entry of the Confirmation Order by the Clerk of the Bankruptcy Court, but subject to the condition that the Effective Date occur, shall constitute approval of such assumptions pursuant to subsection 365(a) of the Bankruptcy Code. Claims created by the rejection of executory contracts and unexpired leases must be filed with the Bankruptcy Court no later than 30 days after entry of a Final Order authorizing such rejection. Any such Claims not filed within such time shall be forever barred from assertion against the Debtors, the Reorganized Debtors and any and all of their respective properties and estates.

7.02. Officers' and Directors' Indemnification Rights. Notwithstanding other provisions of the Plan, the obligations of each Debtor to indemnify its or its Affiliates' present and former directors, officers and employees against any obligations, liabilities, costs or expenses pursuant to the certificate of incorporation or by-laws of such Debtor, applicable state law or specific agreement, or any combination of the foregoing, shall survive confirmation of the Plan, remain unaffected thereby and not be discharged, regardless of whether indemnification is owed in connection with an event occurring prior to, upon or subsequent to the commencement of the Chapter 11 Cases.

7.03. Compensation and Benefit Programs. All employment and severance agreements and policies, and all employee compensation and benefit plans, policies and programs of any of the Debtors applicable generally to their respective employees or officers as in effect on the Effective Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit plans, incentive plans and life, accidental death and dismemberment insurance plans, shall continue in full force and effect, without prejudice to the pertinent Reorganized Debtor's rights under applicable non-bankruptcy law to modify, amend or terminate any of the foregoing arrangements.

ARTICLE VIII

CONDITIONS PRECEDENT

8.01. Conditions to Effective Date. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 8.02 hereof:

(a) The Confirmation Order shall have become a Final Order.

(b) The New Agreements and all documents contemplated by such

documents to be executed simultaneously therewith shall have been executed and delivered by the respective parties thereto.

(c) The investment contemplated by Section 6.01 hereof shall have been made and, together with other funds available to the Reorganized Debtors (including, without limitation, pursuant to the New Financing Facility), shall provide the Reorganized Debtors with sufficient funds to make the distributions required hereunder.

(d) Signal shall have indefeasibly received all of the distributions it is entitled to hereunder.

(e) All other actions required by Article VI hereof to occur on or before the Effective Date shall have occurred.

8.02. Waiver of Conditions. Any of the conditions set forth in Section 8.01 hereof may be waived with the consent of the Proponents to the extent such waiver does not affect the distributions hereunder.

8.03. Notice to Bankruptcy Court. The Debtors shall notify the Bankruptcy Court in writing promptly after the Effective Date that the Plan has become effective.

ARTICLE IX

MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

9.01. Modification of Plan.

(a) Generally. The Proponents may alter, amend or modify the Plan pursuant to Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to the substantial consummation of the Plan, the Debtors and any party in interest may, so long as the treatment of holders of Claims or Interests under the Plan is not adversely affected, institute proceedings in Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002 or as the Bankruptcy Court shall otherwise order.

(b) Ancillary Documents. Notwithstanding any reference herein to documents in the forms annexed to this Plan, and without limiting the preceding paragraph (a), the Proponents may revise those forms (i) by filing such revised forms with the Bankruptcy

Court prior to the commencement of voting on the Plan, or (ii) with the written consent of any party in interest that is entitled to vote on the Plan and is adversely affected thereby.

9.02. Revocation or Withdrawal of Plan.

(a) Right to Revoke. The Proponents reserve the right to revoke or withdraw the Plan at any time; provided, however, that Dickstein and Viking may pursue confirmation of the Plan regardless of any such revocation or withdrawal of the Plan by the Debtors. If Dickstein and Viking withdraw the Plan, the Debtors shall also withdraw the Plan.

(b) Effect of Withdrawal or Revocation. Subject to Section 9.02(a) hereof, if the Proponents revoke or withdraw the Plan, then the Plan shall be deemed null and void, and nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

9.03. Nonconsensual Confirmation. In the event that all of the applicable requirements for confirmation of the Plan shall have been satisfied in accordance with Section 1129(a) of the Bankruptcy Code other than subsection (8) thereof, the Proponents may request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to any impaired Class that has not accepted the Plan. The Proponents reserve the right to modify the Plan at the confirmation hearing, including, without limitation, to provide that the treatment of any Class that has failed to accept the Plan and any class junior to that Class shall be equal to the minimal treatment required to satisfy the requirements of Section 1129(b) of the Bankruptcy Code with respect to such Classes.

9.04. Severability of Debtors. Notwithstanding anything to the contrary herein, this Plan may (at the Proponents' election) be confirmed or consummated as to Wigs and Western alone, in which event SC Corporation may either continue to pursue this Plan as its own Plan or may withdraw this Plan as to itself; provided that nothing herein shall affect Signal's rights to receive the distribution it is entitled to hereunder.

ARTICLE X

RETENTION OF JURISDICTION

10.01. Jurisdiction of Bankruptcy Court.

(a) Following the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction of the Chapter 11 Cases for the following purposes:

(i) To hear and determine any pending applications for the assumption or rejection of executory contracts or unexpired leases, and the allowance of Claims resulting therefrom.

(ii) To determine any adversary proceedings, applications, contested matters and other litigated matters pending on the Effective Date.

(iii) To ensure that distributions to holders of Allowed Claims are accomplished as provided herein.

(iv) To hear and determine objections to or requests for estimation of Claims, including any objections to the classification of any Claims, and to allow, disallow and/or estimate Claims, in whole or in part.

(v) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated.

(vi) To issue any appropriate orders in aid of execution of the Plan or to enforce the Confirmation Order and/or the discharge, or the effect of such discharge, provided to the Debtors.

(vii) To hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan or in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order.

(viii) To hear and determine all applications for compensation and reimbursement of expenses of professionals under Sections 330, 331 and 503(b) of the Bankruptcy Code.

(ix) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan.

(x) To hear and determine other issues presented or arising under the Plan.

(xi) To hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code.

(xii) To enter a final decree closing the Chapter 11 Cases.

(b) Following the Effective Date, the Bankruptcy Court will retain non-exclusive jurisdiction of the Chapter 11 Cases for the following purposes:

(i) To recover all assets of the Debtors and property of their estates, wherever located.

(ii) To hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtors or their estates arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Cases, including, without limitation,

matters concerning state, local and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code.

(iii) To hear any other matter not inconsistent with the Bankruptcy Code.

10.02. Failure of Bankruptcy Court to Exercise Jurisdiction. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Chapter 11 Cases, including with respect to the matters set forth above in this Article, this Article shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.01. Payment of Statutory Fees. All fees payable pursuant to Section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the hearing pursuant to Section 1128 of the Bankruptcy Code, shall be paid on or before the Effective Date.

11.02. Discharge of Debtor. Except as otherwise expressly provided herein, the entry of the Confirmation Order shall, provided that the Effective Date shall have occurred, discharge all Claims and terminate all Interests to the fullest extent authorized or provided for by the Bankruptcy Code, including, without limitation, to the extent authorized or provided for by Sections 524 and 1141 thereof.

11.03. Injunction. Except as otherwise expressly provided herein, the entry of the Confirmation Order shall, provided that the Effective Date shall have occurred, operate to enjoin permanently all Persons that have held, currently hold or may hold a Claim or other debt or liability that is discharged or released pursuant to the Plan or who have held, currently hold or may hold an Interest that is terminated pursuant to the Plan from taking any of the following actions in respect of such discharged Claim, debt or liability or such terminated Interest: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against any or all of the Debtors, the Reorganized Debtors or their respective property;

(b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order against any or all of the Debtors, the Reorganized Debtors or their respective property; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind against any or all of the Debtors, the Reorganized Debtors or their respective property; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Reorganized Debtors or their respective property; and (e)

proceeding in any manner in any place whatsoever that does not conform to or comply with or is inconsistent with the provisions of the Plan.

11.04. Revesting. Except as otherwise expressly provided herein, on the Effective Date, all property and assets of the Debtors' respective estates (including, without limitation, (i) all causes of action accruing to the Debtors that are not released hereby and (ii) the "First Reserve" and "Second Reserve" accounts for Wigs and Western established under the orders in these Chapter 11 Cases authorizing the Debtors to use cash collateral) shall revest in the respective Reorganized Debtors, free and clear of all Claims, liens, encumbrances, charges, Interests and other interests of creditors and equity security holders arising on or before the Effective Date, and the Reorganized Debtors may operate their respective businesses, from and after the Effective Date, free of any restrictions imposed by the Bankruptcy Code or the Bankruptcy Court. Without limiting the generality of the foregoing, all such property and assets in the possession of any creditor of any of the

Debtors, including, without limitation, the share certificates for Wigs, Western, Brotman Acquisition Corp. and After the Stork, Inc. heretofore pledged to Signal, shall be returned to the Debtors on the Effective Date.

11.05. Exculpation. None of the Reorganized Debtors, Dickstein, Viking, the Investors or any affiliates of the foregoing, nor any of their respective officers, directors, partners, shareholders, employees, agents, attorneys, accountants or other advisors, shall have or incur any liability for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence; and in all respects, such Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan and shall be fully protected from liability in acting or in refraining from action in accordance with such advice; provided that, (i) this Section shall not limit the obligations of the Debtors or the Reorganized Debtors under the Plan, and (ii) the foregoing shall not affect the obligations of any party under the Signal Agreement.

11.06. Governing Law. Except to the extent the Bankruptcy Code, the Bankruptcy Rules or other federal laws are applicable, or as otherwise specified in the New Agreements, the laws of the State of New York shall govern the construction and implementation of the Plan, and all rights and obligations arising under the Plan.

11.07. Withholding and Reporting Requirements. In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the respective Debtors shall comply with all withholding, reporting, certification and information requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall, to the extent applicable, be subject to any such withholding, reporting, certification and information requirements. Persons entitled to receive distributions hereunder shall, as a condition to receiving such distributions, provide such information and take such steps as the Reorganized Debtors may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable the Reorganized Debtors to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

11.08. Section 1146 Exemption. Pursuant to Section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or the execution, delivery or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan, or the revesting, transfer or sale of any real property of any of the Debtors pursuant to, in implementation of or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax or similar tax.

11.09. Severability. In the event that any provision of the Plan is determined to be unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. To the extent that any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from entering the Confirmation Order, the Bankruptcy Court, on the request of the Proponents, may modify or amend such provision, in whole or in part, as necessary to cure any defect or remove any impediment to the confirmation of the Plan existing by reason of such provision; provided, however, that such modification shall not be effected except in compliance with Section 9.01 of the Plan.

11.10. Binding Effect; Counterparts. The provisions of the Plan shall bind all holders of Claims and Interests, whether or not they have accepted the Plan. The Plan may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original

and all of which counterparts, taken together, shall constitute but one and the same Plan.

[The rest of this page is intentionally left blank.]

11.11. Plan Controls. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.

Dated: September 21, 1994

Respectfully submitted,

SC CORPORATION
Debtor and Debtor-in-Possession

By /s/ Steven Bock

Steven Bock
Chairman and Chief Executive Officer

WESTERN SCHOOLS, INC.
Debtor and Debtor-in-Possession

By /s/ Steven Bock

Steven Bock
Chairman and Chief Executive Officer

WIGS BY PAULA, INC.
Debtor and Debtor-in-Possession

By /s/ Steven Bock

Steven Bock
Chairman and Chief Executive Officer

DICKSTEIN PARTNERS INC.

By /s/ Mark D. Brodsky

Mark D. Brodsky

Vice President

VIKING HOLDINGS LIMITED

By /s/ Steven Bock

Steven Bock
Attorney-in-Fact

EXHIBIT 10.27

AT&T CONTRACT TARIFF ORDER

CUSTOMER		AT&T	
1. NAME:	S.C. Direct, Inc.	xxxxxxxxxxxxxxxxxxxxxxxxxxxx	
2. STREET:	21 Bristol Drive	6. STREET:	100 Summer Street, Floor 24
3. CITY:	So. Easton	7. CITY:	Boston
4. STATE & ZIP:	MA 02375	8. STATE & ZIP:	MA 02110
5. ATTN:		9. ATTN:	

1. (Customer) hereby orders and AT&T agrees to provide communications services ("Services") as more particularly described in Attachment A, which is incorporated by reference. Services will be provided in accordance with the rates, terms and conditions described in Attachment A and, except as provided in Attachment A, the rates, terms and conditions in Applicable Tariffs are the AT&T tariffs referenced in Attachment A, as such tariffs may be revised from time to time.

2. The term of this Agreement is as specified in Attachment A. Notices pursuant to this Agreement shall be in writing to the addresses specified above.

3. AT&T will file a Contract Tariff ("CT") consistent with Attachment A with the Federal Communications Commission ("FCC") to implement this Agreement. (Customer) may, as its sole remedy, terminate this Agreement without liability at any time before the CT becomes effective if, without the consent of (Customer), AT&T fails to file the CT on or before thirty (30) days after the effective date of this Agreement, or if the CT as filed is not consistent with Attachment A, or if the CT does not go into effect 120 days after filing. In no event, however, shall (Customer) have a right to terminate this Agreement for any action which is caused by (Customer).

4. In the event of any inconsistency between the terms of any Applicable Tariff and the CT, the terms of the CT shall prevail. In the event of any inconsistency between the terms of this Agreement, and any Applicable Tariff or the CT, the terms of the Applicable Tariff or the CT shall prevail. Nothing contained in this Agreement shall require AT&T to take any action prohibited or omit to take any action required by the FCC or any other regulatory authorities.

5. EXCEPT FOR ANY WARRANTIES EXPRESSLY MADE IN THE CT OR THE APPLICABLE TARIFFS, AT&T EXCLUDES ALL WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. AT&T'S LIABILITY TO (CUSTOMER) IS SUBJECT TO THE LIMITATIONS STATED IN THE CT AND APPLICABLE TARIFFS.

6. This Agreement (whether in contract, indemnity, warranty, strict liability, tort or otherwise, except choice of law) shall be governed by the law of the State of New York, or applicable federal statutes.

7. If any provision of the CT is held to be invalid or unenforceable, then AT&T and (Customer) shall cooperate to develop a mutually agreeable replacement for such provision. If the parties are unable to reach agreement on a replacement for the CT provision within 30 days after the provision is held to be invalid or unenforceable (or within such additional time as the parties agree in writing), then this Agreement shall be immediately terminated. (Customer) shall remain liable for all charges and liabilities for services provided under the CT prior to such termination.

8. Neither party shall publish or use any advertising, sales promotions, press releases or other publicity matters which use the other party's name, logo, trademarks or service marks without the prior written approval of the other party. Neither party is licensed hereunder to conduct business under any name, logo, trademark, service mark or tradename (or any derivative thereof) of the other party.

9. AT&T's relationship with (Customer) under this Agreement shall be that of an independent contractor.

10. In the event of a business downturn beyond (Customer's) control or a corporate divestiture, that reduces the volume of network services required by the (Customer) with the result that (Customer) will be unable to meet its revenue and/or volume commitments under this Agreement (notwithstanding (Customer)'s best efforts to avoid such a shortfall), AT&T and (Customer) will cooperate in efforts to develop a mutually agreeable alternative to this Agreement that will satisfy the concerns of both parties and comply with all applicable legal and regulatory requirements. By way of example and not

limitation, such alternative may include changes in rates, nonrecurring charges, revenue and/or volume commitments, discounts, the multi-year service period and other provisions. Subject to all applicable legal and regulatory requirements, including the requirements of the FCC and the Communications Act of 1934, AT&T will prepare and file any tariff revisions necessary to implement such mutually agreeable alternative. This provision shall not apply to a change resulting from a decision by (Customer) to transfer portions of its tariff or projected growth to carriers other than AT&T. (Customer) must give AT&T written notice of the condition it believes will require the application of this provision. This provision does not constitute a waiver of any charges, including shortfall charges, incurred by (Customer) prior to the time the parties mutually agree to amend or replace this Agreement.

11. THIS AGREEMENT, THE CT, AND THE APPLICABLE TARIFFS CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SERVICES TO BE PROVIDED HEREUNDER. THIS AGREEMENT SUPERSEDES ALL PRIOR AGREEMENTS, PROPOSALS, REPRESENTATIONS, STATEMENTS, OR UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, CONCERNING SUCH SERVICES OR THE RIGHTS AND OBLIGATIONS RELATING THERETO. NO change, modification or waiver of any of the terms of this Agreement, except for revisions to the tariffs cited in Attachment A, shall be binding unless reduced to writing and signed by authorized representatives of both parties hereto.

12. Each party represents and warrants that the person executing this Agreement on its behalf is fully authorized to do so.

ORDERED BY CUSTOMER:		ACCEPTED BY AT&T:	
10. Signature:	/s/Stephen O'Hara	14. Signature:	
11. Printed Name:	Stephen O'Hara	15. Printed Name:	Jane Sanders
12. Title:	President	16. Title:	Branch Manager
13. Date:	2/9/95	17. Date:	

AT&T UniPlan Service (sm) with Simple Pricing
Attachment "A"

1. Services Provided: AT&T UNIPLAN Service and the associated optional AT&T 800 Services, ACCUNET T1.5 Access Connections and Terrestrial 1.544 Mbps Local Channel Service.

2. Term of the Term Plan; Renewal Options - The Term of this Term Plan is two years or three years beginning with the first day of the first full billing month (hereinafter referred to as the Customer's Initial Service Date (CISD) for the Services provided under this Term Plan; no renewal option.

3. Monthly Usage Commitment - The Customer's Gross Monthly Minimum Revenue Commitments (MRC) for AT&T UniPlan Service and the Associated Optional AT&T 800 Services is $40,000 monthly and $480,000 annually for each year of the Term Plan. If the Customer fails to meet the MRC, the customer will be billed the difference between the MRC and the actual billed charges.

4. Price. The price for AT&T UNIPLAN Service and the Associated Optional AT&T 800 Services is the same as specified in AT&T Tariff F.C.C. No. 1, as amended from time to time.

The price for ACCUNET T1.5 Access Connections is the same as specified in AT&T Tariff F.C.C. No. 9, as amended from time to time.

The price for Terrestrial 1.554 Mbps Local Channel Service is the same as specified in AT&T Tariff F.C.C. No. 11, as amended from time to time.

5. Volume Discounts: The Customer will receive the following discounts associated with the services provided under this Term Plan:

A. Customers with the AT&T UniPlan Nation Option will receive a discount of 10%, not to exceed $2,500 per month based on the customer's total International Direct Dial station usage charges to the two countries with the highest usage in each billing month, before the application of Volume and Term Discounts. The discounts will not apply to calls made via Maritime Mobile Service to Atlantic, Pacific and Indian Ocean Regions.

Customer Initials and Date [initial]

AT&T UniPlan Service (sm) with Simple Pricing
Attachment "A"

Term Length: 36 Months

The Customer will receive one of the following discounts monthly, on AT&T UNIPLAN Service and the Associated Optional AT&T 800 Services usage charges on amounts up to $150,000. The amount of the discount will be based on the Customer selected Monthly Usage Commitment and Term. No discounts will apply to amounts above $150,000.

VOLUME DISCOUNTS BY COMMITMENT AND TERM LENGTH

Gross Monthly

Usage Commitment	36 Month Term
$40,000	44%

C. The Customer will receive the Business-to-Business Discount Plan as specified in AT&T Tariff F.C.C. No. 1.

D. No other Tariff F.C.C. No. 1 or No. 2 Volume or Term Plan Discounts will apply.

6. Classifications, Practices and Regulations

A. Except as otherwise provided, the terms, conditions, regulations and charges for AT&T UNIPLAN Service and the UniPlan Nation Option as set forth in AT&T Tariff F.C.C. No. 1, for ACCUNET T1.5 Access Connections as set forth in AT&T Tariff F.C.C. No. 9 and for Terrestrial 1.544 Mbps Local Channel Service as set forth in AT&T Tariff F.C.C. No. 11 apply, as these tariffs are amended from time to time.

B. Credits/Waivers. -- The Customer will receive the following Credits/Waivers provided the Customer is current in payment to AT&T for all services provided under this Term Plan, at the time the credit is to be applied. If the Customer is not current in its payment, the credit will not be applied until payment is made.

1. AT&T will waive the nonrecurring installation charges for no more than 5 AT&T Terrestrial 1.544 MBPS local channels, associated ACCUNET T1.5 Access Connections, and the Service Establishment Charges associated with AT&T UniPlan Service and the associated optional AT&T 800 Services, provided these services remain in service for at least 1 year. If the customer discontinues any such services prior to the one year period, all waived charges for such services will be billed at the time of discontinuance.

Customer Initials and Date [initial]

AT&T UniPlan Service (sm) with Simple Pricing

Attachment "A"

2. AT&T will reimburse a Customer a total of $5.00 for the Local Exchange Carrier's Carrier Change Charge for each switched access line the Customer converts to AT&T PIC'd Code 10288 for AT&T UniPlan Service within 90 days after the CISD. There is a limit of one such reimbursement per Customer per line. The reimbursement will be applied in the form of a usage credit to the Customer's AT&T UNIPLAN bill.

C. The Customer is ineligible for any promotional offerings or discounts which are or may be filed in AT&T Tariff F.C.C. Nos. 1, 2, 9 and 11 for the same services under this Term Plan, except for F.C.C. No. 1, section 8.1.1.784.

D. Monitoring Conditions: The following conditions apply to the services provided under this Term Plan:

1. The Customer must meet the MRC for each year of the Term Plan.

2. The Customer may have no more than 100 Customer Premises associated with switched access at any time during this Term Plan.

Compliance with these provisions shall be monitored annually, on each anniversary of the CISD. If in any such monitoring period the Customer has failed to satisfy any of the above monitoring conditions, the Customer will be in violation of this Term Plan and AT&T reserves the right to terminate this Term Plan at its sole discretion.

E. Discontinuance With Liability: If the Customer discontinues this Term Plan before expiration of the selected term, the Customer will be billed the MRC for each whole year remaining in the term and an amount equal to the difference between the MRC and the actual usage billing for the partial year.

F. Discontinuance Without Liability: The Customer may discontinue this Term Plan without liability provided the Customer replaces this Term Plan with a new Term Plan for AT&T Service with a total revenue value equal to or exceeding the remaining total revenue value of this AT&T UniPlan Service Term Plan, regardless of the time remaining in the existing term. The customer may not discontinue this Term Plan without liability under the AT&T UniPlan Service Term Plan Satisfaction Guarantee regulation contained in Tariff F.C.C. No. 1.

G. Availability - This Attachment has been developed for Customers who order this Contract Tariff only once. This Term Plan is available to any similarly situated Customer that orders service within 90 days after the effective date of this Term Plan and requests initial installation no later than 30 days after the date service is ordered.

Customer Initials and Date [initial]

All material on this page is reissued as otherwise noted.

8.1.1. Service Promotion (continued)

784. AT&T UNIPLAN Service Term Plan Promotion - AT&T will provide the following promotional offer for all AT&T UNIPLAN Service Customers who have no lines previously subscribed to AT&T UNIPLAN Service and who subscribe to a new AT&T UNIPLAN Service 36 Month Term Plan with a Net Monthly Usage Commitment of at least $20,000.00. Specifically, AT&T will provide usage credits to be applied to the Customer's bill for its AT&T UNIPLAN Service interstate outbound usage and Associated Optional AT&T 800 Service's interstate usage that terminates in the 617 NPA as specified following:

AT&T will provide three 15% usage credits, not to exceed $70,000.00 each, on all the Customer's AT&T UNIPLAN Service interstate outbound usage and Associated Optional 800 Service's interstate usage that terminates in the 617 NPA. To determine the first credit, the actual monthly AT&T UNIPLAN outbound interstate usage and Associated Optional 800 Services' interstate usage charges for the first twelve complete billing months will be totaled and multiplied by 15%. This first credit will appear as a usage credit on the billing statement rendered in the fourteenth billing month. The amount of this credit shall not exceed $70,000.00. To determine the second and third credits, the actual monthly AT&T UNIPLAN outbound interstate usage and Associated Optional 800 Services' interstate usage charges for months twelve through twenty-three will be totaled and multiplied by 15%. The second and third credits will appear simultaneously as usage credits on the billing statement rendered in the twenty-fourth month. The amount of the second and third usage credits shall not exceed $70,000.00 each.

Customers who enroll in this promotion and subsequently discontinue their AT&T UNIPLAN Service 36 Month Term Plan at any time during the period beginning with enrollment and ending 24 months after enrollment, will forfeit all credits otherwise due but not yet received under this promotion and the Customer will be billed an amount equal to any credits received.

The Customer must select a 36 month Term Plan with a net monthly usage commitment greater than $20,000.00. If at the end of the first twelve month period the average monthly billed usage level described above is not maintained AT&T will bill the Customer, in the fourteenth month, in an amount equal to the credit received and the Customer will forfeit any credit(s) not yet provided. If at the end of the second twelve month period the average monthly billed usage level described above is not maintained AT&T will bill the Customer, in the twenty-sixth month, in an amount equal to the credits received.

In order to qualify for this promotion Customers must: (1) place an order for an AT&T UNIPLAN Service 36 Month Term Plan between February 6, 1995 and March 6, 1995, with a requested installation date of no later than May 6, 1995, (2) commit to an AT&T UNIPLAN Service Associated Optional 800 Service Net Monthly Usage Commitment of at least $20,000.00, and (3) have their interstate AT&T UNIPLAN Associated Optional 800 Service usage terminate in the 617 NPA.

This promotion cannot be used with any other AT&T promotions which are or may be filed.

Material filed under Tranmittal No. 8124 became effective on February 6, 1995

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AT&T

AIS318 7/94

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AT&T UNIPLAN SERVICE ORDER

QUALITY ASSURANCE CHECKLIST

CUSTOMER INFORMATION

Company Billing Name (as it appears on letterhead):

S.C. Direct, Inc.

Billing Street Address, City, State and Zip Code:

21 Bristol Dr.
So. Easton, MA 02375

Customer Billing Contact and Telephone Number:

Bruce Rosenbaum

508-238-0199

Main Billing Local Serving Office (NPA-NXX):

Customer Description:

Catalog Sales

TOTAL # OF LOCATIONS	TOTAL # OF SWITCHED ACCESS ACCOUNTS		TOTAL # OF DEDICATED ACCESS ACCOUNTS	
	Outbound	800 Service	Outbound	800 Service
2			2	2

(1) KEY DATES

Customer Requested Due Date (CRDD):

[/ /]

o Final dates will be set after data collection is completed

Is this an Expedite? |_| YES |_| NO

If YES, has the Customer been advised that Additional Charges will apply? |_| YES |_| NO

TAX INFORMATION

Complete table below if tax exemptions apply:

Exempted by: |_| Statute |_| Certificate

|_| Federal |_| County
|_| State |_| Municipal
|_| Sub-Municipal

List Other Exemptions:

(2) UNIPLAN VOLUME AND TERM PLAN INFORMATION

Select one: |_| All Locations

Volume Discount Plans: (Select one)

|_| Only Certain Locations

|_| Standard Volume Discount

|_| Global Volume Discount (Requires Term Plan)
|_| Off-peak Volume Discount (Requires Term Plan)

Domestic Term Plan Length of Term: Net Monthly Commitment	International Term Plan Length of Term: Net Monthly Commitment	Other Volume Discount Plans (Select if applicable)
36 Months $40,000	Months $	|X| UniPlan Nation Option
		|_| Partners by Association
Starting Month:_____	Starting Month:_____	|_| Other: Specify: _____

(3) APPLICABLE PROMOTIONS

Promotion Name	Description	PROMOTION ID#s

THE SERVICE(S) AND PRICING PLAN(S) YOU HAVE SELECTED WILL BE GOVERNED BY THE RATES, TERMS, AND CONDITIONS IN THE APPROPRIATE AT&T TARIFFS AS MAY BE MODIFIED FROM TIME TO TIME. YOUR SIGNATURE ACKNOWLEDGES THAT YOU UNDERSTAND THE TERMS AND CONDITIONS UNDER WHICH THE SERVICE(S) SELECTED WILL BE PROVIDED AND THAT YOU ARE DULY AUTHORIZED TO MAKE THE COMMITMENT(S) AND TO ORDER SERVICE FOR EACH OF THESE LOCATIONS.

Authorizing Customer Signature	Authorizing Representative Signature
/s/ Stephen O'Hara Date 2/9/95	
Signature	Signature Date
508-238-0199	
Telephone Number	Telephone Number
Stephen O'Hara, President	
Name and Title (please print)	Name and Title (please print)

Remarks Attached: |_| YES |_| NO

</TABLE>

EXHIBIT 10.28

SHAREHOLDERS' AGREEMENT

AGREEMENT, dated this 30th day of November, 1994, by and among Specialty Catalog Corp., a Delaware corporation (the "Corporation"), SC Holdings L.L.C., a Delaware limited liability company ("Holdings"), SC Corporation, a Delaware corporation ("SC"), and those persons set forth on Schedule A annexed hereto (each such person set forth on such schedule, individually, a "Shareholder", and together the "Shareholders"). The Shareholders, other than Dickstein & Co., L.P. and Dickstein International Limited (together, "Dickstein"), Wigs, L.P. and Stephen O'Hara ("O'Hara"), are sometimes referred to as the "Original Shareholders".

W I T N E S S E T H :
- - - - - - - - - -

WHEREAS, SC has issued and outstanding $3,680,186 in subordinated notes dated November 23, 1994 (the "Subordinated Notes"); and

WHEREAS, Dickstein, Viking Holdings Limited ("Viking") and Wigs, L.P. held all of the Subordinated Notes, and the Shareholders held all of the issued and outstanding shares of capital stock of SC; and

WHEREAS, SC and the Shareholders (other than O'Hara) are parties to that certain Shareholders' Agreement dated as of November 23, 1994 (the "Old Shareholders' Agreement"), which provides for the management of SC, the transfer or disposition of the Subordinated Notes and capital stock of SC and certain other matters; and

WHEREAS, the Shareholders have contributed all of their capital stock of SC to the Corporation in return for capital stock of the Corporation; and

WHEREAS, Dickstein, Viking and Wigs, L.P. have contributed all of their Subordinated Notes to Holdings in return for equity interests in Holdings; and

WHEREAS, the Corporation now holds all of the capital stock of SC, and the parties thereto have agreed to terminate the Old Shareholders' Agreement;

WHEREAS, the Corporation is authorized to issue a total of 20,000 shares, par value $.01, of Common Stock (the "Common Stock"), and a total of 30,000 shares, par value $100.00, of Preferred Stock (the "Preferred Stock"; together with the Common Stock, the "Stock"); and

WHEREAS, there are 8,683.65 shares of Common Stock and 22,491 shares of Preferred Stock presently issued and outstanding, and each Shareholder is the record and beneficial owner of the numbers of shares of Common Stock and Preferred Stock set forth opposite the name of such Shareholder on Schedule A hereto; and

WHEREAS, each of Dickstein, Viking and Wigs, L.P. is the record and beneficial owner of that percentage of equity interests in Holdings set forth opposite the name of such Shareholder on Schedule A hereto (the "LLC Interests"; together with the Stock, the "Securities"); and

WHEREAS, the Corporation and Steven L. Bock ("Bock") and the Corporation and O'Hara are parties to certain stock option agreements, pursuant to which Bock and O'Hara may acquire stock after the date hereof;

WHEREAS, the parties desire to enter into an agreement with respect to the management of the Corporation and Holdings, the transfer or other disposition of the Securities and certain other matters.

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

1. Legend on Certificates. For so long as this Agreement remains in effect, the following statement shall be inscribed on all certificates representing shares of Stock (or any certificates representing shares of Stock received with respect thereto):

> "The stock represented by this certificate is subject to a certain Shareholders' Agreement dated the 30th day of November, 1994, and any amendments thereto, a copy of which is on file at the principal office of the corporation, and any sale, pledge, gift, bequest, transfer, assignment, encumbrance or other disposition of this certificate or the shares represented hereby, or any interest therein or proxy with respect thereto, in violation of such Shareholders' Agreement shall be void. The stock represented by this certificate has not been registered under the Securities Act of 1933, as amended. This stock may not be sold, offered for sale or otherwise transferred in the absence of such registration or an exemption therefrom under such Act.

2. Term of Agreement. This Agreement shall terminate on the earliest of (i) the date of the dissolution or liquidation of the Corporation and Holdings, (ii) such time as one Shareholder or other person or entity owns all of the Securities, (iii) the date of the consummation of a bona fide primary or secondary public offering under the Securities Act of 1933, as amended, of any capital stock of the Corporation or SC, and (iv) such time as all of the parties hereto elect in a written agreement to terminate this Agreement.

3. Restrictions on Transfer of Stock.

(a) Except as expressly permitted by Sections 3(d), 4, 5, 6, 7, 10 or 16(j) of this Agreement, each of which constitutes an alternative and independent means of effecting a Transfer (as defined herein), no Shareholder (or its Related Transferee, as defined below) shall (whether by operation of law or otherwise), directly or indirectly, sell, pledge,

give, bequeath, transfer, grant an option in, create a security interest in or lien upon, assign or otherwise, voluntarily or involuntarily, encumber or dispose of, or grant any interest in or a proxy (other than a revocable proxy related to a specific vote or a particular meeting) with respect to (each of the foregoing events, a "Transfer"), any of the Securities now owned or hereafter acquired; provided, however that Wigs, L.P. shall pledge certain of its Securities (the "Pledged Securities") to SC pursuant to the Pledge and Security Agreement dated as of November 23, 1994, between SC and Wigs, L.P. and the Acknowledgement of Substitution of Collateral dated as of November 30, 1994, related thereto. The term "Stock" as used in this Agreement shall include Stock certificates, scrip representing fractional shares of Stock, options and warrants for Stock, or Stock received by way of dividend or upon an increase, reduction, substitution or reclassification of stock of the Corporation, or upon any reorganization of the Corporation. Without limiting the generality of the foregoing, any Stock acquired by Bock or O'Hara pursuant to the stock options granted to them by the Corporation shall be included as "Stock" hereunder and subject to the terms hereof.

(b) The Corporation shall not transfer on its books any certificates for Securities owned by any Shareholder or Related Transferee, nor issue any certificate in respect of such Securities, in contravention of this Agreement. Holdings shall not record on its books any transfer of any Securities owned by any Shareholder or Related Transferee in contravention of this Agreement. Any purported Transfer made in violation of this Agreement shall be null and void and of no force or effect and the purported transferee shall not be entitled to any rights as a holder of Securities in respect of or in connection with the Securities purportedly the subject of the Transfer.

(c) Sections 3(d), 5 and 10 of this Agreement to the contrary notwithstanding, prior to the earlier of (i) November 24, 1997 and (ii) the date that the consolidated group of which the Corporation is the common parent shall have fully utilized all of its net operating loss carryovers ("NOLs") for federal income tax purposes (as those carryovers existed on November 23, 1994) (the earlier of such dates being hereinafter referred to as the "Ownership Change Date"), the Original Shareholders (and their Related Transferees) shall not (whether by operation of law or otherwise), directly or indirectly, Transfer any Securities; provided, however, that Bock and Bruce G. Pollack may Transfer their Common Stock prior to the Ownership Change Date to their Related Transferees (as defined herein), but only with the prior written consent of (i)

the Corporation, which consent will not be unreasonably withheld or delayed and (ii) Holdings, which consent will not be withheld or delayed unless the Transfer could reasonably be expected to affect adversely the ability of the consolidated group of which the Corporation is the common parent to utilize fully all of its NOLs (as those NOLs existed on November 23, 1994).

(d) Subject to Section 3(c) hereof, (i) Bock may Transfer shares of Stock pursuant to, and as set forth in, the Employment Agreement dated November 23, 1994, between Bock and SC (as amended from time to time), and (ii) the Shareholders may Transfer any or all of their Securities to their respective Related Transferees (as defined herein); provided, however, that each such Related Transferee shall first have executed and delivered an instrument, in form and substance satisfactory to the Corporation, Holdings, Dickstein and Viking, in their reasonable judgment, agreeing to be a party to and be bound by the provisions hereof applicable to Related Transferees. The "Related Transferees" of

each Shareholder who is an individual person shall consist of the spouse and adult lineal descendants of such Shareholder and trusts solely for the benefit of such spouse and minor and/or adult lineal descendants of such Shareholder. The "Related Transferees" of Dickstein shall consist of Dickstein Partners Inc. and each investment entity directly or indirectly controlling or managing, controlled or managed by or under common control or management with Dickstein or Dickstein Partners Inc. The "Related Transferees" of Wigs, L.P. shall consist of Patricof & Co. Capital Group; provided, however, that the only permitted Transfer to such Related Transferee shall be a pledge of those Securities of Wigs, L.P. other than the Pledged Securities pursuant to a pledge agreement in form and substance satisfactory to Dickstein and Viking. Viking does not have any Related Transferees. Each Shareholder and its Related Transferees are referred to herein as a "Shareholder Group". Related Transferees who acquire Securities pursuant to this Section 3(d) may make further Transfers thereof in accordance with Section 3(d) only to other members of the same Shareholder Group (i.e., the initial Shareholder and its Related Transferees).

(e) Each Related Transferee receiving Securities pursuant to Section 3(d) shall receive, hold and vote the same according to the terms of this Agreement and subject to the rights and obligations of the Shareholder from whom such Securities were originally transferred as though such Securities were still owned by such Shareholder, and such Shareholder's Shareholder Group shall be treated as, and may exercise rights hereunder only as, a single Shareholder. For all purposes of exercising rights hereunder, the initial Shareholder shall be the exclusive representative of, and shall alone be entitled to exercise rights hereunder on behalf of, that Shareholder's Shareholder Group unless and until that Shareholder has Transferred all of its Securities to one or more of its Related Transferees, in which event that Shareholder may, by notice to the other parties hereto, substitute for this purpose one of its Related Transferees that holds Securities.

(f) If one of Dickstein or Viking (the "Remaining Shareholder") purchases all of the Securities of the other then (i) the Remaining Shareholder shall be deemed to have all of the rights of Dickstein and Viking under this Agreement (including without limitation all of the rights of the other under Section 12 hereof), and (ii) at any time thereafter, and in addition to and separate from its rights under Sections 3(d) and 10 hereof, the Remaining Shareholder may Transfer its Securities in a Bona Fide Sale (as defined below) at any time; provided, however, that, in connection with any Transfer made in reliance upon this clause "ii", the Remaining Shareholder shall be obligated to cause to be purchased, and the other Shareholders and their Related Transferees, if any, shall be obligated (if requested by the Remaining Shareholder) to sell, all Securities held by such Shareholders and such Related Transferees on terms and conditions no less favorable than those obtained by the Remaining Shareholder in respect of each class of Securities being so sold by the Remaining Shareholder. Each party hereto shall take all actions as may be reasonably necessary or desirable to effectuate any purchase and sale pursuant to the foregoing clause "ii". As used in this and other provisions of this Agreement, a "Bona Fide Sale" by or caused by a Shareholder (as the case may be) means a bona fide, arms' length sale to any person or entity other than that Shareholder, any members of its Shareholder Group, or any entity in which any of the foregoing have (or acquire in connection with the sale) a material economic interest.

4. Buy-Sell Rights.

(a) After the Ownership Change Date, either Dickstein or Viking may offer to sell to the other all, but not less than all, of the Securities held by it and its Related Transferees (together, for purposes of this Section 4, the "Offered Securities"). The one making such offer to sell (the "Offeror") shall notify the other one (the "Offeree") of such offer to sell by delivering to the Offeree a written notice of such offer (the "Buy-Sell Notice"). The Buy-Sell Notice shall (i) identify the Offered Securities, (ii) state the aggregate proposed price for the Offered Securities (the "Strike Price"), which shall be payable in cash, and (iii) specify a business day for the consummation of the proposed sale, which day shall not be less than 120 days and not more than 125 days after delivery of the Buy-Sell Notice to the Offeree (the "Closing Date").

(b) Upon delivery of the Buy-Sell Notice, the Offeree may, within 30 days thereafter (the "Acceptance Period"), by written notice to the Offeror elect (i) to accept such offer or (ii) to cause the Corporation and/or Holdings (for the purposes of this Section 4, the "Corporate Buyer") to accept such offer, in each case subject only to the ability of the Offeree or the Corporate Buyer, as the case may be, to obtain financing in connection therewith. If the Offeree shall have delivered a timely notice of its election to purchase or to cause the Corporate Buyer to purchase all of the Offered Securities, then the Offeror and its Related Transferees shall sell to the Offeree or the Corporate Buyer, as the case may be, and the Offeree or the

Corporate Buyer shall purchase from them, at the Strike Price, all of the Offered Securities; provided, however, that if, within 60 days of the termination of the Acceptance Period (the "Confirmation Period"), the Offeree or the Corporate Buyer, as the case may be, shall not have (i) obtained and delivered to Offeror a bona fide commitment letter from a reputable financial institution regarding the funding of such purchase and sale (the "Commitment Letter") or (ii) delivered to the Offeror a written waiver of the financing condition (the "Waiver"), then the sale of the Offered Securities to the Offeree pursuant to the Buy-Sell Notice shall not occur. If that sale does occur, it shall be at the proposed price (adjusted dollar for dollar to reflect any changes in the accrued but unpaid interest and dividends between the date of the notice and the date of the sale from that anticipated in the Buy-Sell Notice) and shall be held in accordance with Section 8 hereof, except that the closing shall take place on the Closing Date.

(c) If the Offeree shall not have delivered to the Offeror (i) within the Acceptance Period notice of its election to purchase or to cause the Corporate Buyer to purchase all of the Offered Securities, or (ii) within the Confirmation Period the Commitment Letter or the Waiver, then the Offeror may effect a Bona Fide Sale of either (x) the Corporation and Holdings or (y) SC (each, a "Sale Transaction"). The Sale Transaction must entail the substantially contemporaneous cash payment or cash distribution in respect of the Securities (such distribution to be applied in the following order of priority: first to pay in full the LLC Interests (in an amount equal to the outstanding aggregate principal amount of the Subordinated Notes, together with accrued but unpaid interest thereon through the consummation of the Sale Transaction), then to redeem in full the Preferred Stock, and thereafter to the Common Stock, with all holders of the same class to be treated on an equivalent basis with respect to the Securities held by them). Such payment or distribution (together with any other payments or distributions made by the Corporation or Holdings in

respect of the Securities subsequent to the delivery of the Buy-Sell Notice) must result in the Offeror and its Related Transferees receiving in respect of the Offered Securities cash (before taxes) of not less than 90 percent of (x) the Strike Price plus (y) the additional unpaid interest and dividends that have accrued on the Subordinated Notes and Preferred Stock between the Closing Date and the consummation of the Sale Transaction. A Sale Transaction may be effected in any manner, including through a merger or consolidation of any or all of the Corporation, Holdings and/or SC with or into any other entity, a sale of securities, a sale, lease, transfer or exchange of all or substantially all of the property and assets of any or all of the Corporation, Holdings and/or SC or otherwise; provided, that such a Sale Transaction may not be consummated later than 180 days after the expiration of the later of the Acceptance Period and, if applicable, the Confirmation Period.

(d) The Offeror shall promptly, but in any event at least 30 days prior to consummation thereof, notify all other Shareholders in writing of any Sale Transaction it intends to effect pursuant to this Section 4. Such

notice shall set forth in reasonable detail the material terms and conditions of the Sale Transaction. Each party shall take all actions as may be reasonably necessary or desirable to effectuate any purchase and sale pursuant to this Section 4, including voting its shares of Stock and its LLC Interests in favor of such Sale Transaction at the request of the Offeror; provided, however, that the non-monetary terms of the Sale Transaction must be reasonably acceptable to the Offeree. Holders of options to purchase Stock must either (x) exercise such options and participate in the Sale Transaction as holders of Stock or (y) surrender such options for cancellation. However, if and to the extent that, in the good faith judgment of the Board of Directors of the Corporation, it is practicable for holders of such options to participate in the Sale Transaction on a "cashless exercise" basis (as if shares of Stock were issued solely in respect of the gain underlying the options, and then such shares participated in the Sale Transaction), the Corporation shall offer such option holders the right to participate in that fashion.

5. Right of First Refusal for Transfer of Securities.

After the Ownership Change Date:

(a) If any Shareholder Group (the "Selling Shareholder") desires to sell (i) all, but not less than all, of its shares of Common Stock, or (ii) all, but not less than all, of its shares of Preferred Stock, or (iii) all, but not less than all, of its LLC Interests, or (iv) any combination of the foregoing (for purposes of this Section 5, the "Offered Securities"), and, in connection therewith, shall have received an irrevocable and unconditional (except as provided herein) bona fide arm's length written offer (a "Bona Fide Offer") for the purchase of the Offered Securities for cash at closing from a party (an "Outside Party") that is not a member of the Selling Shareholder's Shareholder Group or any entity in which any member(s) of that Shareholder Group has a material economic interest, the Selling Shareholder shall give a notice in writing within 10 days of the delivery of such Bona Fide Offer (the "Option Notice") to each Shareholder and to the Corporation and Holdings setting forth the Selling Shareholder's intention to sell the Offered Securities, which notice shall be accompanied by a photocopy of the originally executed Bona Fide Offer and shall set forth at least the name and address of the Outside Party and the price and all of the other material terms of such offer, and, if desired, the minimum number or amount of its Securities that the Selling Shareholder will require to be sold in the event other Shareholders exercise their

rights to sell under Section 5(c) below. Upon the giving of such Option Notice, (i) each of Dickstein and Viking (or only Dickstein or Viking if the other is the Selling Shareholder) shall have the non-assignable option to purchase all, but not less than all, of the Offered Securities and (ii) Dickstein and Viking jointly (or Dickstein or Viking alone if the other is the Selling Shareholder) may cause the Corporation and/or Holdings (for the purposes of this Section 5, the "Corporate Buyer") to purchase all, but not less than all, of the Offered Securities. Dickstein and Viking each may exercise, or jointly (or alone if the

other is the Selling Shareholder) may cause the Corporate Buyer to exercise, such option by giving a counter-notice to the Selling Shareholder and to each other Shareholder within 30 days after the receipt of the Option Notice (the "Option Notice Period").

(b) If Dickstein and/or Viking elect, or Dickstein and Viking jointly (or Dickstein or Viking alone if the other is the Selling Shareholder) cause the Corporate Buyer to elect, pursuant to the counter-notice(s), to purchase all of the Offered Securities, Dickstein, Viking or the Corporate Buyer, as the case may be, shall be obligated to purchase for cash and the Selling Shareholder shall be obligated to sell the Offered Securities at the price and on the terms set forth in the Bona Fide Offer, except that the closing shall be held as provided in Section 8 hereof; provided, however, that if both Dickstein and Viking elect to purchase all of the Offered Securities during such 30-day period, each of Dickstein and Viking shall be obligated to purchase its respective Pro Rata Share of the Offered Securities, unless they otherwise agree. The term "Pro Rata Share" of Dickstein or Viking, as used in this Agreement, means the number of shares of Common Stock held by such Shareholder's Shareholder Group on the date of the Option Notice, divided by the sum of (i) the number of shares of Common Stock held by the Dickstein Shareholder Group on such date plus (ii) the number of shares of Common Stock held by the Viking Shareholder Group on such date.

(c) If counter-notice(s) shall not have been duly and timely given as to all of the Offered Securities, (x) each other Shareholder may elect on behalf of its Shareholder Group, by delivering a written notice of such election to the Selling Shareholder and the Outside Party within 30 days following the expiration of the Option Notice Period (the "Tag Along Period"), to sell all, but not less than all, of the Securities owned by it to the Outside Party at the price and on the terms contained in the Bona Fide Offer (to the extent such Securities are of the same class as the Offered Securities) (subject to the consummation of the sale by the Selling Shareholder of Securities to the Outside Party), and (y) the Selling Shareholder thereafter, at any time within a period of 60 days from the expiration of the Tag Along Period, may sell all, but not less than all, of the Offered Securities to the Outside Party at the price and on the terms contained in the Bona Fide Offer; provided, however, that:

(i) if the Outside Party elects to purchase less than all of the Securities offered by the Selling Shareholder and the electing Shareholders hereunder, then each such Shareholder shall sell and the Outside Party shall purchase the respective Shareholder's pro rata share of that number or amount of Securities that the Outside Party elects to purchase (but not less than the amount of Securities included in the Bona Fide Offer); provided, however, that in the event the Outside Party is unwilling to purchase sufficient Securities to enable the Selling Shareholder to sell the minimum number or amount of Securities specified by the Selling Shareholder in the Option

Notice, then the Selling Shareholder may terminate the Bona Fide Offer, in which case no sale of Securities will occur pursuant to this Section 5 in connection with the Bona Fide Offer and the Offered Securities and the other Securities offered to the Outside Party pursuant hereto shall thereafter continue to be held by the respective Shareholders and their Related Transferees, and be subject to the restrictions contained in this Agreement as if no such Option Notice had been delivered;

(ii) no purchase and sale pursuant to this Section 5(c) shall be valid or effective unless and until such Outside Party shall first have executed and delivered an instrument, in form and substance satisfactory to the Corporation, Holdings, Dickstein and Viking, in their reasonable judgement, agreeing to be a party hereto and bound by all of the terms and conditions hereof; and

(iii) in the event the purchases and sales of Securities contemplated by this Section 5(c) have not occurred within 60 days of the expiration of the Tag Along Period, no sale of Securities will occur pursuant to this Section 5 in connection with the Bona Fide Offer and the Offered Securities and the other Securities offered to the Outside Party pursuant hereto shall thereafter continue to be held by the respective Shareholders and their Related Transferees, and be subject to the restrictions contained in this Agreement as if no such Option Notice had been delivered.

(d) If Dickstein or Viking sells its Securities under this Section 5, then all of its rights under this Agreement shall automatically terminate, and the purchaser of such Securities shall have only those rights and obligations of Shareholders generally under this Agreement, and shall have no rights exclusive to Dickstein or Viking hereunder; provided, however, that the purchaser of such Securities shall be deemed to be, and shall have all the rights and obligations of, the "Offeree" in the event a Buy-Sell Notice is delivered pursuant to Section 4 hereof.

6. Change in Control.

(a) Dickstein shall promptly notify Viking, the other Shareholders, Holdings and the Corporation in the event that Dickstein is no longer majority-owned (directly or indirectly) by Mark Dickstein, his wife, his adult lineal descendants or any trust solely for the benefit of any of the foregoing and/or his minor lineal descendants, and the delivery of such notice shall be deemed (unless such event resulted from the death of Mr. Dickstein) to constitute the delivery of a Buy-Sell Notice under Section 4 hereof, pursuant to which Dickstein shall be deemed to be the Offeror, Viking shall be deemed to be the Offeree and the Strike Price shall equal 90 percent of the fair market value of the Securities held by Dickstein and its Related Transferees; provided, however, that Dickstein shall not, for purposes of this paragraph "a", have the right to effect a Sale Transaction pursuant to Section 4(c) hereof.

(b) Viking shall promptly notify Dickstein, the other Shareholders, Holdings and the Corporation in the event that Viking is no longer majority-owned (directly or indirectly) by Guy Naggar, his wife, his adult lineal descendants or any trust solely for the benefit of any of the foregoing and/or his minor lineal descendants, and the delivery of such

notice shall be deemed (unless such event resulted from the death of Mr. Naggar) to constitute the delivery of a Buy-Sell Notice under Section 4 hereof, pursuant to which Viking shall be deemed to be the Offeror, Dickstein shall be deemed to be the Offeree and the Strike Price shall equal 90 percent of the fair market value of the Securities held by Viking; provided, however, that Viking shall not, for purposes of this paragraph "b", have the right to effect a Sale Transaction pursuant to Section 4(c) of this Agreement; and provided further, that if the delivery of such notice occurs prior to the Ownership Change Date, then (in addition to the foregoing) upon the occurrence of November 24, 1997, Dickstein shall have 30 days to notify Viking that it elects to treat such occurrence as a subsequent delivery of a Buy-Sell Notice under Section 4 hereof, and the provisions of this Section 6(b) shall again apply as if the change of control of Viking happened on such Ownership Change Date.

7. Sale of Company. Viking and Dickstein jointly, or Viking and Dickstein alone, if one of them has previously purchased all of the Securities of the other under this Agreement, may effect a Sale Transaction. Viking and/or Dickstein, as the case may be, shall promptly, but in any event at least 30 days prior to consummation thereof, notify all other Shareholders in writing of any Sale Transaction it intends to effect pursuant to this Section 7. A Sale Transaction may be effected in any manner, including through a merger or consolidation of any or all of the Corporation, Holdings and/or SC with or into any other entity, a sale of securities, a sale, lease, transfer or exchange of all or substantially all of the property and assets of any or all of the Corporation, Holdings and/or SC or otherwise. Each Shareholder shall take all action as may be reasonably necessary or desirable to effectuate any Sale Transaction pursuant to this Section 7, including voting its shares of Stock and its LLC Interests in favor of such Sale Transaction at the joint request of Dickstein and Viking (or the request of Dickstein or Viking alone if it has previously purchased all of the other's Securities). Holders of options to purchase Stock must either (x) exercise such options and participate in the Sale Transaction as holders of Stock or (y) surrender such options for cancellation. However, if and to the extent that, in the good faith judgment of the Board of Directors of the Corporation, it is practicable for holders of such options to participate in the Sale Transaction on a "cashless exercise" basis (as if shares of Stock were issued solely in respect of the gain underlying the options, and then such shares participated in the Sale Transaction), the Corporation shall offer such option holders the right to participate in that fashion.

8. Closing.

(a) The closing for all purchases by Dickstein, Viking, Holdings or the Corporation of Securities as provided in Section 4 or 5 hereof shall be held at the office of the Corporation or at such other place as shall be agreed upon by the parties thereto (i) in the case of a purchase and sale provided in Section 4, on the Closing Date (as defined therein), and (ii) in the case of a purchase and sale provided in Section 5, on the 90th day after the giving of the Option Notice (as defined therein) or on such earlier date as the parties to the transaction shall agree; provided, however, that if the Shareholder (or a Related Transferee) who has become obligated to sell shares of Securities hereunder is deceased on the date so scheduled for closing and such deceased person's personal representative shall not have been appointed and qualified by such date, then the closing shall be postponed until the 10th day after the appointment and qualification of such personal representative. If the closing date

falls on a Saturday, a Sunday or a legal or religious holiday pertaining to any party to the transaction, then the closing shall be held on the next succeeding business day.

(b) The purchase price for the purchase and sale of Securities pursuant to Section 4 or 5 hereof (the "Purchase Price") shall be paid in full by certified check(s) of the Corporation, Holdings, Dickstein or Viking, as the case may be, as the purchaser of such Securities (the "Purchaser"), or by cashier's or official bank check(s), drawn on an account at a major U.S. money center commercial bank to the order of the selling Security holder(s); provided, however, that if both Dickstein and Viking timely elected to purchase the Offered Securities, then each of Dickstein and Viking shall be obligated to pay its respective Pro Rata Share of the Purchase Price, unless they otherwise agree. Contemporaneously with the receipt of the Purchase Price, the seller shall duly endorse and deliver to the Purchaser any and all certificates representing the sold Securities, free and clear of all liens, security interests, charges or any other encumbrances (other than the restrictions imposed by this Agreement), together with all necessary documentary transfer stamps and any other documentation as the Purchaser may reasonably request in connection with the transfer of such Securities.

9. Failure to Deliver. In the event that any Shareholder or Related Transferee shall fail to sell Securities when and as required by this Agreement, the intended purchaser of such Securities may, at its option, in addition to all other remedies it may have, send to such seller by registered mail, return receipt requested, the Purchase Price for such Securities in the manner provided in this Agreement. Upon the Purchase Price being so remitted, (i) the pertinent Securities shall be deemed transferred to the intended purchaser, and (ii) the Corporation and/or Holdings (as the case may be) shall record such transfer on its books and records and shall (in the case of a certificated Security) issue a replacement certificate(s) reflecting the new

ownership of those Securities.

10. Registration of Common Stock. The Shareholders and their Related Transferees have certain registration rights as provided in, and shall be able to sell their shares of Common Stock pursuant to the terms and conditions of, the Registration Rights Agreement of even date herewith.

11. Pre-Emptive Rights. In the event that Viking and/or Dickstein purchases any securities of and from the Corporation, then each other Shareholder and its Related Transferees, as a group, shall, upon no less than 15 days' notice, have the right to acquire from the Corporation, for that Shareholder Group's own account, all (but not less than all) of its Share Percentage (as defined below) of each and every class of securities being so issued by the Corporation at that time. A Shareholder Group's "Share Percentage" is the percentage of the outstanding Common Stock owned by that Shareholder Group immediately before the transaction in question. Such purchase of securities shall be on the same terms and conditions, and contemporaneously with, the corresponding purchase by Dickstein and/or Viking; provided, however, that Dickstein and/or Viking may consummate its purchase before the other Shareholders or Related Transferees do if the Corporation's Board of Directors determines that the Corporation (or SC, if it is to benefit from the financing) has an urgent need for the funds. Notwithstanding the foregoing, Bock may waive

the rights of all Shareholders and Related Transferees, other than Dickstein, Dickstein's Related Transferees and Viking, under this Section 11.

12. Management of the Corporation.

(a) The Board of Directors of the Corporation and each subsidiary of the Corporation (each, a "Subsidiary") shall consist of five members, two of whom shall be selected by Dickstein and designated as "Class A Directors" and two of whom shall be selected by Viking and designated as "Class B Directors." The remaining director shall be Bock from the date hereof and for as long as he shall be chief executive officer of the Corporation and the Subsidiaries. Dickstein may remove and replace any Class A Director with or without cause. Viking may remove and replace any Class B Director with or without cause. In the event Bock is no longer chief executive officer of the Corporation and the Subsidiaries, Viking and Dickstein jointly (or Viking or Dickstein alone if the other no longer owns any shares of Stock) shall select a director to replace Bock and, thereafter, may (acting together or, if the other no longer owns any shares of Stock, alone) remove and replace such director with or without cause and fill any vacancy in such directorship. This Section 12(a) shall terminate upon the Transfer by Viking and Dickstein of all of their Securities.

(b) The Shareholders and their Related Transferees shall vote their shares of Stock from time to time as required to elect and remove directors as provided in this Agreement, to cause the Corporation to purchase (i) the Stock of the Offeror as and when contemplated by Section 4(b) hereof, (ii) the Offered Securities as and when contemplated by Section 5 hereof and (iii) the stock of any Shareholder Group as and when contemplated by Section 16(j) hereof, and to cause the Corporation to take any other action it is required to take hereunder.

(c) The Shareholders and their Related Transferees shall from time to time amend, and vote their shares of Stock to amend, the certificate of incorporation and the by-laws of the Corporation and the Subsidiaries to the extent that any such amendment is necessary to give effect to the terms of this Agreement or to conform the certificate of incorporation and the by-laws to this Agreement.

13. Consent Required for Certain Actions. The affirmative vote of a majority of the respective Board of Directors, including at least one Class A Director and one Class B Director, shall be required to permit or authorize any of the following actions by the Corporation or any Subsidiary:

(a) any issuance, sale or purchase of capital stock or other securities of the Corporation or any Subsidiary (other than pursuant to Section 4(b), 5(b), 7 or 16(j) hereof), including pursuant to a stock split or bonus;

(b) any creation, incurrence or assumption of financial indebtedness (including capitalized lease obligations and purchase money debt) other than accounts payable and capitalized leases, in each case solely as incurred in the ordinary course of business ("Indebtedness"), or any optional prepayment, optional redemption,

extension, amendment, waiver or request for any of the foregoing relating to any of the Corporation's or any Subsidiary's existing Indebtedness or capital stock, in each case other than in the ordinary course of business;

(c) any merger, consolidation or recapitalization involving the Corporation or any Subsidiary (other than pursuant to Section 4 or 7 hereof) or the creation of any subsidiary by the Corporation or any Subsidiary;

(d) any termination, dissolution or liquidation of the Corporation or any Subsidiary or voluntary filing or commencement of any proceeding under any bankruptcy, insolvency or similar law or statute;

(e) the creation or assumption of any mortgage, pledge or other encumbrance upon any of the Corporation's or any Subsidiary's material properties or assets now owned or hereafter acquired, other than in the ordinary course of business;

(f) any declaration or payment of a dividend or distribution on or in respect of capital stock of the Corporation now or hereafter outstanding (whether in cash or otherwise), or application of any property or assets to the purchase, acquisition, redemption or other retirement of any shares of such capital stock, directly or indirectly;

(g) any assumption, guaranty or endorsement of, or otherwise becoming liable upon, the obligation of any person, corporation or other entity, except by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business;

(h) any purchase or acquisition of any property or assets or obligations or stock of or interest in, any capital contribution to, or other investment directly or indirectly in, or loans or advances to, any person, corporation or other entity, except by the Corporation or any Subsidiary to the Corporation or any Subsidiary, and in each case other than in the ordinary course of business;

(i) the consent by the Corporation to any Transfer pursuant to Section 3(c) of this Agreement and the offer by the Corporation to option holders to participate in a Sale Transaction on a "cashless exercise" basis, pursuant to Section 3(d) or 7 hereof;

(j) the consent by the Corporation to any Transfer that would otherwise be restricted or prohibited by the Agreement dated November 23, 1994, among SC, Viking, Guy A. Naggar, Central Investments Limited, New Henley Overseas Investment Incorporated, G.A. Naggar 1982 Settlement and Marion Naggar Childrens Settlement;

(k) any amendment of or change to the Corporation's or any Subsidiary's certificate of incorporation or by-laws, including, without limitation, any change in the capitalization of the Corporation or any Subsidiary ;

(l) any sale, lease, transfer or other disposition of any of the Corporation's or any Subsidiary's assets or properties, except in the ordinary course of business;

(m) any change in the character of the Corporation's or any Subsidiary's business or the undertaking of any material new ventures or transactions or engaging in any type of business not incidental and directly related to such entity's present business, in each case which

is not contemplated by the Corporation's annual budget or operating plan;

(n) (x) any payment or incurrence of any obligation by the Corporation or any Subsidiary for the payment of fees, salaries or other remuneration in excess of $75,000, or (y) any bonus or more than a 5 percent change in the rate or amount of compensation or other remuneration, in each case only if such compensation or remuneration equals or exceeds $75,000;

(o) payment of any debts claimed to be owing, directly or indirectly, to any Shareholder or Related Transferee, any affiliate, director or officer of the Corporation or any Subsidiary (other than ordinary course repayments of reasonable out-of-pocket expenses, properly documented, incurred by any of the foregoing in the ordinary course of business), or to any firm, corporation or other entity in which any of them has an interest (other than entities that are publicly traded on a securities exchange or in the over-the-counter market in which no Shareholder Group, affiliate, director or officer beneficially owns more than a 15 percent voting equity interest);

(p) any adoption, assumption, establishment, material amendment or termination of, any employee benefit, equity participation, incentive, stock option or bonus plan;

(q) any retention, appointment or termination of chief executive officers, chief financial officers or other senior management of the Corporation or any Subsidiary and the determination of their compensation and terms of employment;

(r) the entry into any material transaction, contract or commitment other than in the ordinary course of business;

(s) the establishment of annual budgets (including operating and capital expenditure budgets) or operating plans; and

(t) the establishment or designation of any members of any committee of the Board of Directors of the Corporation or any Subsidiary and the election and designation of members of the board of directors of each Subsidiary.

In all matters where a vote of any class of outstanding shares of capital stock of the Corporation or any Subsidiary is required by applicable law or is otherwise being taken, including, without limitation, electing directors and amending, altering, changing or repealing any one or more of the provisions contained in the charter or by-laws of the Corporation or any Subsidiary, the affirmative vote of at least 70 percent of such outstanding

shares of such class shall be required to constitute the act of the holders of such shares; provided, however, that after Viking or Dickstein and Dickstein's Related Transferees have sold all of their shares of a class, (i) the affirmative vote of at least 50 percent of such outstanding shares of such class shall be required to constitute the act of the holders of such shares and (ii) the Shareholders and Related Transferees shall vote their shares of Stock to amend the by-laws of the Corporation and the Subsidiaries to so provide.

One or more Shareholder Groups owning in the aggregate at least 30 percent of the outstanding shares of Common Stock shall have the right to call a special meeting of shareholders at any time, and from time to time, for any purpose whatsoever, including the removal of directors.

14. Notices. Any and all notices or consents required or permitted to be given under any of the provisions of this Agreement shall be written and shall be effective upon receipt at the address indicated on Schedule A hereto, or at such other address as any party may from time to time indicate by notice to the other parties. In addition, copies of all notices shall be sent to the directors of the Corporation; provided, however, that the inadvertent or good faith failure or delay in sending such copies shall not affect the efficacy thereof.

15. Specific Performance. Due to the fact that the Securities cannot be readily purchased or sold in the open market, and for other reasons, the parties hereto understand that they will be irreparably damaged, and cannot be adequately compensated by monetary damages, in the event that this Agreement is not specifically enforced. In the event of a breach or threatened breach of the terms, covenants and/or conditions of this Agreement by any of the parties hereto, the other parties shall, in addition to all other remedies, be entitled to specific performance of this Agreement, without showing any actual damage.

16. Miscellaneous.

(a) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may be modified or amended by a written agreement signed by (i) all of the parties hereto, (ii) by Dickstein and Viking or (iii) by a Shareholder that owns at least 70 percent of the outstanding shares of Common Stock; provided, however, that the consent of each Shareholder (on behalf of itself and its Related Transferees) shall be required if such modification or amendment would remove or impair any contractual right of that Shareholder's Shareholder Group hereunder to sell its Securities pursuant to Section 4 or 7 hereof or otherwise, or any Shareholder's rights under Section 11 hereof (unless waived in accordance with the last sentence thereof).

(b) No waiver of any breach or default hereunder shall be considered valid unless in writing, and no such waiver shall be deemed a waiver

of any subsequent breach or default of the same or similar nature.

(c) If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable

provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

(d) Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the Corporation and Holdings and their respective successors and assigns and the Shareholders and their heirs, personal representatives, successors and assigns; provided, however, that nothing contained herein shall be construed as granting any Shareholder Group the right to Transfer any Stock except as expressly provided in this Agreement, and no party shall be deemed a Shareholder hereunder after it (and its Related Transferees, if any) ceases to own any shares of Stock. No right of a party hereunder to purchase Securities shall be assignable, except to a Related Transferee to whom such party has the right to Transfer the Securities so to be purchased.

(e) The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of such sections.

(f) Each party hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this Agreement.

(g) Whenever the pronouns "it" or "its" are used herein they shall also be deemed to mean "he" and/or "she" or "his" and/or "hers" whenever applicable. Words in the singular shall be read and construed as though in the plural and words in the plural shall be read and construed as though in the singular in all cases where they would so apply.

(h) This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed one original.

(i) This Agreement shall be governed and construed in accordance with the laws of the State of New York, without regard to the principles of conflict of laws thereof. Any legal action or proceeding under, arising out of or in any manner relating to this Agreement, or any other document being entered into by any Shareholder in connection with the closing on the date hereof at which this Agreement is being entered into, shall be brought in the federal or state courts in the Borough of Manhattan in the City of New York, State of New York. Each party hereto expressly and irrevocably assents and

submits to the personal jurisdiction of all of such courts in any such action or proceeding. Each such party further irrevocably consents to the service of any complaint, summons, notice or other process relating to any such action or proceeding by delivery thereof to it personally by hand, by prepaid overnight courier or by mail at the address provided herein. Each party expressly and irrevocably waives any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue or forum non conveniens.

(j) If any Shareholder Group Transfers its LLC Interests or its Preferred Stock to a purchaser that does not also purchase the Common Stockowned by that Shareholder Group, then (i) each of Dickstein and Viking (or only Dickstein or Viking if the other's Shareholder Group was the seller) shall have the option to purchase, and (ii) Dickstein and Viking jointly (or Dickstein or Viking alone, if the other's Shareholder Group

was the seller) may cause the Corporation and/or Holdings to purchase, all, but not less than all, of such Shareholder Group's remaining Common Stock, and the purchase price therefor shall be 90 percent of the Fair Market Value thereof.

(k) Effective from and after the date hereof, the Old Shareholders' Agreement is in all respects hereby cancelled and terminated and shall be of no further force or effect.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year first above written.

SPECIALTY CATALOG CORP.

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

SC CORPORATION

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

DICKSTEIN & CO., L.P., for itself
and on behalf of SC Holdings L.L.C.

By: DICKSTEIN PARTNERS, L.P., its

general partner

By: DICKSTEIN PARTNERS INC., its general partner

By:_____

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DICKSTEIN INTERNATIONAL LIMITED, for itself and on behalf of SC Holdings L.L.C.

By: DICKSTEIN PARTNERS INC., its agent

By:_____

VIKING HOLDINGS LIMITED, for itself and on behalf of SC Holdings L.L.C.

By:_____
Name:
Title:

Steven L. Bock

Bruce G. Pollack

WIGS, L.P., for itself and on behalf of SC Holdings L.L.C.

By:_____
Name: Arthur Kowaloff
Title: General Partner

Stephen O'Hara

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SCHEDULE A

Name and Address	Common	Preferred	LLC Interests
Dickstein & Co., L.P. c/o Dickstein Partners Inc. 9 West 57th Street Suite 4630 New York, New York 10019 Attn.: Mark Brodsky and Samuel Katz Fax No. (212) 754-5825	2,665.88	7,272	32.33%
Dickstein International Limited c/o Dickstein Partners Inc. (address above)	1,332.94	3,636	16.17%
Viking Holdings Limited La Motte Chambers La Motte Street St. Helier Jersey JE1 1BJ Channel Islands Tel. No. 011-44-534-602-000 Fax No. 011-44-534-602-002	3,998.82	10,908	48.50%
Steven L. Bock c/o SC Corporation Six Landmark Square, 4th Floor Stamford, CT 06901-2792 Tel. No. (203) 359-5640 Fax No. (203) 359-5840	303.93	0	0%
Bruce G. Pollack c/o Centre Partners, L.P. One Rockefeller Plaza, Suite 1025 New York, NY 10020 Tel. No. (212) 632-4821 Fax No. (212) 632-4846	121.57	0	0%
Wigs, L.P. c/o Patricof & Co. Capital Corp. 445 Park Avenue, 11th Floor New York, NY 10022 Tel. No. (212) 935-5151 Fax No. (212) 832-6946	260.51	675	3.00%

Stephen O'Hara 20 Pleasant Heights Drive North Easton, MA 02356 Tel. No. (508) 238-8029 Fax No. (508) 238-3305	0	0	0%

EXHIBIT 10.29

AMENDMENT TO SHAREHOLDERS' AGREEMENT

This Amendment (the "Amendment"), dated as of April __, 1995, by and among the undersigned, being all of the parties to that certain Shareholders' Agreement, dated as of November 30, 1994 (the "Shareholders' Agreement") by and among Specialty Catalog Corp., a Delaware corporation, SC Holdings L.L.C., a Delaware limited liability company, SC Corporation, a Delaware corporation, Dickstein & Co., L.P., Dickstein International Limited, Viking Holdings Limited, Wigs, L.P., Steven L. Bock, Bruce G. Pollack and Stephen O'Hara.

WHEREAS, Specialty Catalog Corp. (the "Corporation") has amended its Certificate of Incorporation to recapitalize its common stock, par value $.01 per share (the "Old Common Stock"), into three separate classes, consisting of Class A Common Stock, Class B Common Stock and Class C Common Stock;

NOW, THEREFORE, the undersigned do hereby agree among themselves that the Shareholders' Agreement is hereby amended as follows:

1. Definitions. All capitalized terms not otherwise defined in this Amendment are used as defined in the Shareholders' Agreement.

2. Exchange of Stock. Each Shareholder promptly shall surrender to the Corporation the certificate(s) evidencing such Shareholder's ownership of Old Common Stock , and, as soon as practicable thereafter, the Corporation shall issue to such Shareholder a certificate evidencing an equal number of shares of the Corporation's Class A Common Stock, par value $.01 per share; provided, however, that (i) the Corporation shall issue to Dickstein International Limited a certificate for an equal number of shares of the Corporation's Class B Common Stock, par value $.01 per share and (ii) the Corporation shall issue to Dickstein & Co., L.P. one certificate for 1,332.94 shares of its Class A Common Stock, par value $.01 per share, and one certificate for 1,332.94 shares of its Class C Common Stock, par value $.01 per share.

3. Amendment to Shareholders' Agreement.

(A) The Shareholders' Agreement is hereby amended by deleting the seventh and eighth "WHEREAS" clauses thereof as they now exist and inserting in lieu thereof the following new "WHEREAS" clauses:

"WHEREAS, the Corporation is authorized to issue 16,000 shares of Class A Common Stock, par value $.01 per share (the "Class A Common Stock"), 2,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), 2,000 shares of Class C Common Stock, par value $.01 per share (the "Class C Common Stock; and the Class A Common Stock, the Class B Common Stock and the Class C Common Stock are hereinafter referred to, individually and collectively, as the "Common Stock"), and 30,000 shares, par

value $100.00 per share, of Preferred Stock (the "Preferred Stock"; together with the Common Stock, the "Stock"); and

WHEREAS, there are 6,017.77 shares of Class A Common Stock, 1,332.94 shares of Class B Common Stock, 1,332.94 shares of Class C Common Stock and 22,491 shares of Preferred Stock presently issued and outstanding, and each holder is the record and beneficial owner of the numbers of shares of Class A Common Stock, Class B Common Stock, Class C Common Stock and

Preferred Stock set forth opposite the name of such Shareholder on Schedule A hereto; and"

(B) Section 3(a) of the Shareholders' Agreement is hereby amended by replacing the words "or 16(j)" in the first line thereof with the words ", 16(j), 16(k) or 16(l)".

(C) Section 16 of the Shareholders' Agreement is hereby amended by relettering subsection (k) as subsection (m).

(D) Section 16 of the Shareholders' Agreement is hereby amended by adding thereto after subsection (j) the following:

"(k) If Dickstein's or Viking's Shareholder Group Transfers any shares of its Common Stock to a purchaser that does not also purchase a corresponding portion of the Preferred Stock owned by that Shareholder Group, then the other of Dickstein and Viking (the "Other Shareholder") shall have the right, exercisable within 10 business days of the delivery to it of notice of such Transfer, to sell to the Corporation and the Corporation must purchase, all, but not less than all, of the Preferred Stock of the Other Shareholder's Shareholder Group. Upon the exercise of that right, each other Shareholder Group shall have the right, exercisable within 10 business days of the delivery to it of notice thereof, to sell to the Corporation, and the Corporation must purchase, its Preferred Stock. The purchase price for any purchase of Preferred Stock described in this Section 16(k) shall equal the par value per share of all shares of Preferred Stock owned by the selling Shareholder Group, plus an amount in cash equal to all accrued but unpaid dividends thereon, whether or not declared or due, and the Corporation shall consummate any such purchase within six months of the exercise by a Shareholder Group of its rights under this Section 16(k).

(l) Shares of Class B Common Stock and shares of Class C Common Stock may be converted into and exchanged for shares of Class A Common Stock as provided in the certificate of incorporation of the Corporation."

(E) The penultimate paragraph of Section 13 of the Shareholders' Agreement is hereby amended in its entirety to read as follows:

"In all matters where a vote of any class of outstanding shares of capital stock of the Corporation or any Subsidiary is required by applicable law or is otherwise being taken, including, without limitation, electing directors and amending, altering, changing or repealing any one or more of the provisions contained in the charter or by-laws of the Corporation or any Subsidiary, (i) shares of Class A Common Stock, Class B Common Stock and Class C Common Stock shall vote together as a single class, and (ii) the affirmative vote of shares representing at least 70 percent of the voting power of a class of shares shall be required to constitute the act of the holders of such class of shares; provided, however, that after Viking or Dickstein and Dickstein's Related Transferees have sold all of their shares of a class, (x) the affirmative vote of shares representing at least 50 percent of the voting power of such class shall be required to constitute the act of the holders of such shares and (y) the Shareholders and Related Transferees shall vote their shares of Stock to amend the by-laws of the Corporation and the Subsidiaries to so provide."

(F) Section 16(a) of the Shareholders' Agreement is hereby amended by replacing the words "at least 70 percent of the outstanding shares of Common Stock;" in line 4 thereof with the words "shares representing at least 70 percent of the voting power of the Common Stock;"

(G) The Shareholders' Agreement is hereby amended by deleting Schedule A thereto as it now exists and inserting in lieu thereof the Schedule A attached hereto as Exhibit I.

4. Full Force and Effect. Except as expressly amended hereby, the Shareholders' Agreement shall continue in full force and effect in accordance with its provisions on the date of this Amendment, and each share of the Stock, whether issued pursuant hereto or prior to the date hereof, continues to be held pursuant to the terms and provisions of the Shareholders' Agreement, as amended by this Amendment.

5. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original, and all of which together shall constitute one agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year first above written.

SPECIALTY CATALOG CORP.

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

SC CORPORATION

By:_____
Name: Steven L. Bock
Title: Chief Executive Officer

DICKSTEIN & CO., L.P., for itself and on behalf of SC Holdings L.L.C.

By: DICKSTEIN PARTNERS, L.P., its general partner

By: DICKSTEIN PARTNERS INC., its general partner

By:_____

DICKSTEIN INTERNATIONAL LIMITED, for itself and on behalf of SC Holdings L.L.C.

By: DICKSTEIN PARTNERS INC., its agent

By:_____

VIKING HOLDINGS LIMITED, for itself and on behalf of SC Holdings L.L.C.

By:_____
Name:
Title:

Steven L. Bock

Bruce G. Pollack

WIGS, L.P., for itself and on behalf of SC Holdings L.L.C.

By:_____
Name: Arthur Kowaloff
Title: General Partner

Stephen O'Hara

EXHIBIT I

SCHEDULE A

<TABLE>
<CAPTION>

Name and Address	Class A	Class B	Class C	LLC Preferred	Interests
<S>	<C>	<C>	<C>	<C>	<C>
Dickstein & Co., L.P. c/o Dickstein Partners Inc. 9 West 57th Street Suite 4630 New York, New York 10019 Attn.: Mark Brodsky and Samuel Katz Fax No. (212) 754-5825	1,332.94	0	1,332.94	7,272	32.33%
Dickstein International Limited c/o Dickstein Partners Inc. (address above)	0	1,332.94	0	3,636	16.17%
Viking Holdings Limited La Motte Chambers La Motte Street St. Helier Jersey JE1 1BJ Channel Islands Tel. No. 011-44-534-602-000 Fax No. 011-44-534-602-002	3,998.82	0	0	10,908	48.50%
Steven L. Bock c/o SC Corporation	303.93	0	0	0	0%

Six Landmark Square, 4th Floor Stamford, CT 06901-2792 Tel. No. (203) 359-5640 Fax No. (203) 359-5840					
Bruce G. Pollack c/o Centre Partners, L.P. One Rockefeller Plaza, Suite 1025 New York, NY 10020 Tel. No. (212) 632-4821 Fax No. (212) 632-4846	121.57	0	0	0	0%
Wigs, L.P. c/o Patricof & Co. Capital Corp. 445 Park Avenue, 11th Floor New York, NY 10022 Tel. No. (212) 935-5151 Fax No. (212) 832-6946	260.51	0	0	675	3.00%
Stephen O'Hara 20 Pleasant Heights Drive North Easton, MA Tel. No. (508) 238-8029 Fax No. (508) 238-3305	0	0	0	0	0%

</TABLE>

EXHIBIT 10.30

SC HOLDINGS L.L.C.
LIMITED LIABILITY COMPANY AGREEMENT

This Limited Liability Company Agreement of SC Holdings L.L.C., a Delaware limited liability company (the "Company"), is made and entered into by and among the persons executing this Agreement as Members and shall be effective as of the Effective Date (as defined below).

ARTICLE I

DEFINITIONS

For purposes of this Agreement, unless the context otherwise requires, terms shall be used with the meanings given to them under the Act, and the following terms shall have the meanings set forth hereafter:

1. ACT - The Delaware Limited Liability Company Law and any and all amendments and modifications thereto.

2. AGREEMENT - This Limited Liability Company Agreement, as the same may be amended from time to time.

3. CAPITAL CONTRIBUTION - Any contribution of Property actually made by or on behalf of a Member.

4. CODE - The Internal Revenue Code of 1986, as the same may be amended from time to time.

5. DISPOSITION (DISPOSE) - Any sale, assignment, transfer, exchange, mortgage, pledge, grant, hypothecation or other transfer, whether absolute or as security or encumbrance (including dispositions by operation of law).

6. DISSOLUTION EVENT - An event, the occurrence of which will result in the dissolution of the Company under Article VIII hereof.

7. EFFECTIVE DATE - The date on which the certificate of formation of the Company is first filed with the Delaware Secretary of State.

8. MEMBER - Each Person who executes this Agreement as a Member, and their respective successors.

9. NET LOSSES - The losses and deductions of the Company as determined for federal income tax purposes.

10. NET PROFITS - The income and gains of the Company as determined for federal income tax purposes.

11. PERSON - Any individual, estate, corporation, trust, joint venture, partnership or limited liability company of every kind and nature, and any other individual or entity in its own or any representative capacity.

12. PROCEEDING - Any judicial or administrative trial, hearing or other activity, civil, criminal or investigative, or any appeal thereof, the result of which may be that a court, arbitrator or governmental agency may enter a judgment, order, decree or other determination which, if not appealed and reversed, would be binding upon the Company, a Member or other Person subject to the jurisdiction of such court, arbitrator or governmental agency.

13. PROPERTY - Any property, real or personal, tangible or intangible, including Money, and any legal or equitable interest in such property, but excluding services and promises to perform services in the future.

14. SHAREHOLDERS' AGREEMENT - The Shareholders' Agreement, dated as of November 30, 1994, by and among Specialty Catalog Corp., a Delaware corporation, and those persons set forth on Schedule A annexed thereto (including but not limited to each Member).

15. TAXING JURISDICTION - Any state, local or foreign government that collects tax, interest or penalties, however designated, on any Member's share of the income or gain attributable to the Company.

ARTICLE II

FORMATION

1. ORGANIZATION - The Members hereby organize the Company as a Delaware limited liability company pursuant to the provisions of the Act .

2. TERM - The Company shall be dissolved and its affairs wound up as provided in the Act and this Agreement on December 31, 2020, unless the Company shall be sooner dissolved and its affairs wound up in accordance with the Act or this Agreement.

3. REGISTERED AGENT AND OFFICE - The registered agent for the service of process and the registered office shall be that Person and location reflected in the certificate of formation. In the event the registered agent ceases to act as such for any reason or the registered office shall change, the Members shall promptly designate a replacement registered agent or file a notice of change of address, as the case may be.

4. PRINCIPAL OFFICE - The principal office of the Company

shall be located at such location as the Members shall from time to time decide.

ARTICLE III

RIGHTS AND DUTIES OF MEMBERS

1. MANAGEMENT RIGHTS - All Members shall be entitled to vote on any matter submitted to a vote of the Members. Unless the Members otherwise agree, all actions of the Company shall be taken only upon the approval of the Members. All matters submitted for the approval of the Members shall require the affirmative vote of Members then owning an aggregate percentage interest in the Company of at least 70%; provided, however, that after Viking Holdings Limited ("Viking") and Dickstein & Co., L.P., Dickstein International Limited and their respective Related Transferees (as defined in the Shareholders' Agreement) (collectively, "Dickstein") shall no longer be Members, such approval shall require the affirmative vote of Members then owning an aggregate percentage interest in the Company of at least 50%. Any action which may be taken at a meeting of the Members may be taken without a meeting if Members casting votes sufficient to approve such action consent thereto in writing.

2. AUTHORITY TO BIND THE COMPANY - Unless the Members otherwise agree, no agreement, undertaking, instrument, written obligation, certificate or other commitment shall be made by or on behalf of the Company unless made in an instrument signed by Members then owning the requisite aggregate percentage interest in the Company as provided in Section 1 of this Article III. Any third party dealing with the Company shall be entitled to rely (unless such third party has actual notice to the contrary) on any such instrument as being fully authorized under the terms of this Agreement if the same has been executed on behalf of the Company by (x) Dickstein or its duly authorized representative and (y) Viking or its duly authorized representative. Each Member hereby approves the execution and delivery by any single Member on behalf of the Company of (x) the Pledge Agreement, dated as of November 30, 1994, among Specialty Catalog Corp. ("Specialty"), the Company and Banque Nationale de Paris, New York Branch, as Agent (the "Agent"), (y) the Guaranty, dated November 30, 1994, among Specialty, the Company and the Agent and (z) all certificates, instruments and other agreements and undertakings contemplated by such Pledge Agreement or Guaranty to be executed and delivered by the Company contemporaneously with the execution and delivery of such Pledge Agreement and Guaranty.

3. COMPANY INTERESTS - The interest in the Company of each Member shall be based on such Member's contribution to the Company of such Member's ownership of Subordinated Notes issued by SC Corporation in connection with the consummation of its plan of reorganization on November 23, 1994 ("Subordinated Notes") as

set forth in Schedule A. Each Member's percentage interest in the Company shall

be determined by dividing the principal amount of Subordinated Notes so contributed by such Member by the aggregate principal amount of all Subordinated Notes so contributed by all Members.

4. LIABILITY OF MEMBERS - No Member shall be liable as such for the liabilities of the Company. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on any Member for the liabilities of the Company.

5. CONFLICTS OF INTEREST

5.1 A Member shall be entitled to enter into transactions that may be considered to be competitive with, or enter into business opportunities that may be beneficial to, the Company, without any liability or obligation to the Company or any other Member. A Member does not violate a duty or obligation to the Company merely because the Member's conduct furthers the Member's own interest.

5.2 No transaction with the Company shall be voidable solely because a Member has a direct or indirect interest in the transaction if the other Members, knowing the material facts of the transaction and the Member's interest, authorize, approve or ratify the transaction, or the interested Member establishes that the transaction was fair and reasonable as to the Company.

ARTICLE IV

CONTRIBUTIONS

1. CONTRIBUTIONS - On or prior to its execution of this Agreement, each of the Members shall have contributed to the capital of the Company the principal amount of Subordinated Notes set forth next to its name on Exhibit A hereto. No interest shall accrue on any such contribution, and no Member shall have the right to withdraw or be repaid any such contribution, except as provided in this Agreement.

2. ADDITIONAL CONTRIBUTIONS - No additional capital contributions shall be required of, or may be made by, any Member except upon the approval of all Members.

ARTICLE V

DISTRIBUTIONS

Distributions of cash and other property of the Company (including Subordinated Notes and any other securities or property received as a distribution in respect of or in exchange for Subordinated Notes) shall be made at such times, in such manner and in such amounts as the Members may determine; provided, however, that each such distribution shall be made to the Members in accordance with their respective percentage interests in the Company.

ARTICLE VI

TAXES

1. TAX MATTERS PARTNER - Dickstein & Co., L.P. shall act as tax matters partner of the Company pursuant to section 6231(a)(7) of the Code .

2. TAXES OF TAXING JURISDICTIONS - To the extent that the laws of any Taxing Jurisdiction require, the Company may withhold and pay over to such Taxing Jurisdiction the amount of tax, penalty and interest determined under the laws of the Taxing Jurisdiction with respect to a Member's share of the Company's income. Any such payments with respect to the income of a Member shall be treated as a distribution for purposes of Article V hereof.

ARTICLE VII

DISPOSITION OF MEMBERSHIP INTERESTS

1. DISPOSITION - Except in accordance with the Shareholders' Agreement, no Member may resign from the Company or Dispose of all or any portion of such Member's interest in the Company prior to the dissolution and winding up of the Company.

2. DISPOSITIONS NOT IN COMPLIANCE WITH THIS ARTICLE VOID -Any attempted Disposition of a Member's interest in the Company, or any part thereof, not in compliance with this Article VII and the applicable provisions of the Shareholders' Agreement is null and void ab initio.

3. SHAREHOLDERS' AGREEMENT OBLIGATIONS - Each Member and the Company acknowledge and agree to be bound by all applicable provisions of the Shareholders' Agreement including without limitation the provisions thereof relating to certain required purchases or sales of, and certain rights of first refusal with respect to, a Member's interest in the Company. For the avoidance of doubt, each Member agrees that if any provision

hereof conflicts with any provision of the Shareholders' Agreement, the provisions of the latter shall control.

ARTICLE VIII

DISSOLUTION AND WINDING UP

1. DISSOLUTION - The Company shall be dissolved and its affairs wound up, upon the first to occur of the following events (each of which shall constitute a Dissolution Event):

1.1 the expiration of the term established in Section 2 of Article II hereof;

1.2 the written consent of the Members; or

1.3 the bankruptcy (as defined in the Act) of any Member, subject to the right of continuation provided in Section 18-801 of the Act; or

1.4 the entry of a decree of judicial dissolution under Section 18-802 of the Act.

2. EFFECT OF DISSOLUTION - Upon dissolution, the Company shall cease carrying on and begin winding up the Company business, but the Company is not terminated, and shall continue, until the winding up of the affairs of the Company is completed and articles of dissolution have been filed with the Delaware Department of State.

3. DISTRIBUTION OF ASSETS ON DISSOLUTION - Upon the winding up of the Company, the Property of the Company shall be distributed as provided in the Act and among the Members in accordance with their respective percentage interests in the Company.

4. WINDING UP AND CERTIFICATE OF CANCELLATION - The winding up of the Company shall be completed when all debts, liabilities and obligations of the Company have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining Property of the Company has been distributed to the Members. Upon the completion of winding up of the Company, a certificate of cancellation, which shall set forth the information required by the Act, shall be filed in the Delaware Department of State.

ARTICLE IX

MISCELLANEOUS PROVISIONS

1. ENTIRE AGREEMENT; AMENDMENT - This Agreement represents the entire agreement among the Members and between the

Members and the Company with respect to the subject matter hereof. This Agreement may be amended only by a written instrument adopted by the Company as

provided in this Agreement.

2. RIGHTS OF CREDITORS AND THIRD PARTIES UNDER LIMITED LIABILITY COMPANY AGREEMENT - This Agreement is entered into among the Company and the Members for the exclusive benefit of the Company, the Members and their successors. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under this Agreement or any agreement between the Company and any Member with respect to any capital contribution, any Member's interest in the Company or otherwise.

3. INDEMNIFICATION - The Company shall indemnify and hold harmless, and advance expenses to, any Member, from and against any and all claims and demands whatsoever relating to, or arising out of, actions taken or not taken by such Member in its capacity as such; provided, however, that no indemnification may be made to or on behalf of any Member if a judgment or other final adjudication adverse to such Member establishes (a) that its acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated or (b) that it personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

4. COUNTERPARTS - This Agreement may be executed in two or more counterparts, all of which taken together shall be

deemed one agreement.

5. NOTICE - Notice shall be in writing. Notice to the Company shall be addressed to the Company at the address of its principal office established as provided in Section 4 of Article II. Notice to a Member shall be addressed to the Member at the address of such Member reflected in the records of the Company. Notice shall be considered duly given (i) on the day when delivered personally, (ii) on the Business Day when sent by facsimile provided receipt of such transmission is confirmed, (iii) on the Business Day immediately succeeding the day on which Notice is sent by recognized overnight courier, and (iv) when received if mailed by first class mail postage prepaid.

IN WITNESS WHEREOF, we have hereunto set our hands on the date set forth beside our names.

DICKSTEIN & CO., L.P.

By: DICKSTEIN PARTNERS, L.P., its general partner

By: DICKSTEIN PARTNERS, INC., its

general partner

By_____
Vice President

DICKSTEIN INTERNATIONAL LIMITED

By: DICKSTEIN PARTNERS, INC., its agent

By_____
Vice President

VIKING HOLDINGS LIMITED

By: ----------
Name:
Title:

WIGS, L.P.

By: ----------
Name: Arthur Kowaloff
Title: General Partner

EXHIBIT A

Member	Principal Amount of Subordinated Notes
Dickstein & Co., L.P.	$1,189,926
Dickstein International Limited	$ 594,964
Viking Holdings Limited	$1,784,890
Wigs, L.P.	$ 110,406

EXHIBIT 11.01

<TABLE>
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	YEAR ENDED			SIX MONTHS ENDED	
	1-JAN-94	31-DEC-94	30-DEC-95	1-JUL-95	29-JUN-96
	PRIMARY AND FULLY DILUTED	PRIMARY AND FULLY DILUTED	PRIMARY AND FULLY DILUTED	PRIMARY AND FULLY DILUTED	PRIMARY AND FULLY DILUTED
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INCOME					
Net Income.....	9,977,393	12,788,811	522,262	554,552	149,300
Preferred Dividends.....		(31,241)	(292,383)	(146,191)	(146,188)
Net Income Available to Common Stockholders....	9,977,393	12,757,570	229,879	408,361	3,112
NUMBER OF SHARES					
Weighted Average Shares.	2,826,666	2,826,666	2,826,666	2,826,666	2,826,666
Incremental Shares Attributed to Exercise of Warrants.....	198,668	198,668	198,668	198,668	198,668
Incremental Shares Attributed to Exercise of Stock Options.....					559,119
	3,025,334	3,025,334	3,025,334	3,025,334	3,584,453

</TABLE>

(a) For all periods presented, primary earnings per share equals fully diluted earnings per share

EXHIBIT 23.02

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors of
Specialty Catalog Corp.

We consent to the use in this Registration Statement of Specialty Catalog Corp. on Form S-1 of our report dated April 19, 1996 (except for Note 13, for which the date is August 16, 1996), appearing in the Prospectus, which is a part of this Registration Statement, and to the references to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP

New York, New York
August 23, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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