

ATTACHMENT TO NOTICE OF SALE OF ESTATE PROPERTY

Description of Property to be Sold: The estate's right, title and interest in and to certain personal property assets of Morwear Manufacturing, Inc., a Delaware corporation ("Morwear" or the "Debtor"). Morwear manufactured, distributed and sold, among other things, both conventional paint products and paints and other coatings with special properties (the "Business"). Prior to its Chapter 11 filing, Morwear was the owner and lessee of certain assets used in the operation of the Business from a facility located in Los Angeles, California. The Debtor also owned assets which were stored in a warehouse located in Florida. As more particularly described in that certain Asset Purchase Agreement, attached as Exhibit "A" to the Trustee's motion filed with the Bankruptcy Court on November 4, 2005, the Trustee is selling the following assets (the "Purchased Assets") of Morwear:

The "Purchased Assets" are all tangible and intangible assets, properties, rights and claims of the Debtor used in the Business, except for the "Excluded Assets", and include but are not limited to, the following:

- a. all patents, copyrights, trade secrets, trade names, domain names, trademarks, service marks, know-how, confidential and proprietary information, and inventions (whether patentable or not) used by the Debtor in connection with the Business wherever located, and all registrations and applications therefore wherever located, including, without limitation, the marks "Morwear Plus," "Since 1912 Morwear Paint Company," "Morwear Paint Company," "Morwear," "Primer Xcel," "Royal Islander," "Styletone," "Designer's Choice," "Pure," "Morwear Built for Value" and "Color Splash" (collectively, the "Intellectual Property");
- b. all rights to the names Morwear and Morwear Paint Company and all variants thereof, and all rights in related names and marks;
- c. all of the goodwill of the Debtor in the Business or otherwise associated with its trademarks or service marks;
- d. all software and computer programs (including, without limitation, any software and computer programs under development), and source codes, object codes, systems documentation and user manuals, internet and worldwide websites, links and URLs used in connection with the Business, including, without limitation, proprietary information and trade secrets, the URLs and domain names used by or registered to the Debtor (including Morwear.com and Morwear.cn), all content and software code associated with the foregoing websites, all e-mail addresses referred to therein, and all toll free (e.g., 800) phone numbers used in connection with the Business (collectively, the "Technology");
- e. all lists of customers and prospects (including, as appropriate, names, addresses, dates and other information customarily maintained by the Debtor and all

contact information that has been developed from visits to the websites included in the Technology), job cards, engagement letters, and all other lists, files and marketing and promotion materials and telephone numbers used in the Business;

- f. all paint formulas used in the Business;
- g. all raw materials (the "Raw Materials"), packaging (excluding labels), work in process, parts and supplies, wherever located;
- h. all finished goods inventory (the "Finished Goods"), wherever located;
- i. all published and unpublished databases used in the Business, and all software and other media embodying such databases wherever located (the "Databases");
- j. all telephone systems and computer hardware used in connection with the Business, wherever located;
- k. to the extent they can be transferred or assigned, all right, title and interest in, to and under any licenses, franchises and permits relating to the operation of the Business;
- l. all choses in action, claims, causes of action or rights (collectively, the "Claims") of the Debtor to recovery or offset of any kind or character relating to the Purchased Assets;
- m. all interests in covenants of confidentiality and noncompetition, if any, and benefits arising therefrom to the extent related to the Purchased Assets and transferable to the Buyer;
- n. all accounts receivable relating to the operation of the Business;
- o. all prepaid expenses relating to the operation of the Business;
- p. all labels relating to the operation of the Business;
- q. all of the Debtor's rights in, to and under any and all executory contracts and unexpired leases within the meaning of Section 365 of the Bankruptcy Code including, but not limited to, any personal property operating or financing leases, (the "Executory Contracts") listed on Schedule 1.1(q) of the Asset Purchase Agreement, provided, however, that the Buyer may exclude from the Purchased Assets any of the Executory Contracts or other executory contracts by providing written notice to Seller no later than five (5) calendar days prior to the scheduled hearing date before the Bankruptcy Court to obtain approval of the Asset Purchase Agreement;
- r. all equipment (including transportation equipment), tools, vehicles, machinery, furniture, furnishings, other tangible personal property, leasehold improvements, and fixtures owned by the Debtor, used or held for use in the operation of the Business;

s. all of the Debtor's rights in, to and under that certain Asset Purchase Agreement by and among Morwear Manufacturing, Inc. and Smiland Paint Company, dated as of October 21, 2004, and, if it is determined necessary, an assignment of those interests within the meaning of Section 365 of the Bankruptcy Code; and

t. all other assets, properties, and rights of every kind relating to the Purchased Assets in which the Seller has an interest on the Closing Date, known or unknown, fixed or unfixed, accrued, absolute, contingent or otherwise, wherever located, whether or not specifically referred to in this Agreement.

The Purchased Assets shall not include the following (the "Excluded Assets"):

a. all recoveries of the Debtor's bankruptcy estate under applicable federal, state or local law, including, without limitation, Section 5 of the Bankruptcy Code;

b. all state, federal, or local tax refunds and recoveries pursuant to insurance claims arising from or relating to acts or omissions of the Business on or before the Debtor's filing of the Petition commencing the Bankruptcy Case;

c. all cash in the Debtor's debtor in possession accounts as of the Appointment Date, provided, however, that such amounts can be applied to the credit set forth in Section 2.2.2 of the Asset Purchase Agreement;

d. all accounts receivable of the Debtor collected by Seller prior to the date of Studio S/Drake's possession of the Business pursuant to the Interim Management Agreement, subject to the terms and conditions of the Interim Management Agreement; and

e. any Executory Contract specifically excluded by the Buyer pursuant to Section 1.1(q) of the Asset Purchase Agreement.

Method of Sale: Offer subject to overbid.

Sale Description: Date of Sale: December 19, 2005, 1:30 p.m.
Place: 255 East Temple Street, Courtroom "1639", Los Angeles,
CA 90012

Offer Received: \$2,900,000

The sale will be on an "as is" and "where is" basis without any representations and/or warranties whatsoever subject to Bankruptcy Court approval. Each party (except the proposed buyer) who wishes to participate in the overbid process must be pre-qualified by submitting evidence of his, her or its ability to close the sale to counsel for the Trustee no later than 48 hours prior to the hearing. The bidding shall begin at \$3,000,000, with overbids being made in minimal increments of \$25,000. A cashier's check in the amount of \$90,000 (representing 3% of the initial overbid) made payable to "David K. Gottlieb, Chapter 7 Trustee" also must be presented to the Trustee prior to the time of the hearing.

Contact Name: Daniel A. Lev, Esq.
Contact Number: (213) 626-2311
Case Name: In re Morwear Manufacturing, Inc.
Case Number: LA 05-27443-EC