RANGE RESOURCES CORP
Form 4
May 22, 2009

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
STEPHENS CHAD L

(Last) (First) (Middle)

100 THROCKMORTON, SUITE 1200

(Street)

FORT WORTH, TX 76102

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
RANGE RESOURCES CORP [RRC]

3. Date of Earliest Transaction (Month/Day/Year)
05/20/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/20/2009		A		18,313 (1)	A	$ 41.6	131,503	I	Deferred Compensation Account
Common Stock	05/20/2009		A		36 (2)	A	$ 41.6	131,539	I	Deferred Compensation Account

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amoun Underlying Securiti (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amou or Numb of Sh
Stock Appreciation Right	$ 41.6	05/20/2009		A		39,169		05/20/2010	05/20/2014	Common Stock	39,1

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STEPHENS CHAD L 100 THROCKMORTON, SUITE 1200 FORT WORTH, TX 76102			Sr. Vice President	

Signatures

Rodney L. Waller by Power of Attorney	05/22/2009
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Grant of restricted stock into the Deferred Compensation Plan approved by the Compensation Committee of the Board of Directors for no consideration. Grants vest 30%, 30% and 40% over three years on the anniversary of the date of the grant.

(2) Company match in deferred compensation account deposited 5/20/2009. The company match vests 1/3 each December 31st over three years.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ="Times New Roman" SIZE="2">The Company is a defendant in a lawsuit filed by a former vendor for breach of a production agreement seeking damages in excess of $9,000. The Company contends that the allegations are falsely premised and has filed a cross-complaint against this vendor for additional costs and lost profits amounting to $8,000. The case was ordered to the Orange County Superior Court and was the subject of unsuccessful mediation and further court-ordered mediation. The trial is scheduled for July 26, 2004. The Company expects to prevail at trial, but because of the substantial defense costs and the significant risks to each side, settlement is still possible. No provision has been made to the accompanying financial statements.

Note 17 401k Plan

The Company has a defined contribution plan (401k) covering all employees who have attained the age of 21 and provided the Company with at least 1,000 hours of service. Matching contributions are made at the Board of Director s discretion. No contributions were made to the plan in 2003.

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CENTRUM ACQUISITION, INC. AND AFFILIATES

CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS ($ in thousands)

	June 30, 2004 (unaudited)	December 31, 2003 (audited)
ASSETS		
CURRENT ASSETS		
Cash	$ 2,865	$ 1,656
Accounts receivable, net of allowance for doubtful accounts of $80 (2004) and $16 (2003)	1,767	1,174
Due from factors, net	4,161	2,042
Inventories, net	53,798	49,973
Other receivables	1,921	
Prepaid expenses	1,517	1,024
Total current assets	66,029	55,869
Property, plant and equipment, net of accumulated depreciation and amortization	26,168	27,578
Other assets	2,583	1,912
Intangible assets, net of accumulated amortization	18,460	19,406
Goodwill	29,222	29,722
	$ 142,462	$ 134,487
LIABILITIES AND STOCKHOLDERS AND MEMBERS EQUITY		
CURRENT LIABILITIES		
Notes payable to banks	$ 30,718	$ 21,545
Accounts payable	21,170	17,587
Accrued expenses	14,444	8,230
Accrued interest	2,358	989
Dividend payable	1,800	
Current portion of capital lease obligations	4,023	6,252
Current portion of long term debt	6,245	26,838
Total current liabilities	80,758	81,441
LONG TERM DEBT, net of current portion	67,358	49,217
STOCKHOLDERS AND MEMBERS EQUITY:		
Common stock		
Additional paid-in capital	7,250	7,250
Accumulated deficit	(12,904)	(3,421)
Total stockholders and members equity	(5,654)	3,829

	$ 142,462	$ 134,487

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CENTRUM ACQUISITION, INC. AND AFFILIATES

CONSOLIDATED AND COMBINED STATEMENT OF INCOME (unaudited) ($ in thousands)

	Six months ended June 30,	
	2004	**2003**
Net sales	$ 120,359	$ 99,436
Cost of sales	94,815	74,847
Gross profit	25,544	24,589
Selling, general & administrative expenses	15,891	14,735
Income from operations	9,653	9,854
Interest expense	4,650	2,065
Income before provision for income taxes	5,003	7,789
Provision for income taxes	712	84
Net income	$ 4,291	$ 7,705

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CENTRUM ACQUISITION, INC. AND AFFILIATES

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS AND MEMBERS EQUITY ($ in thousands)

	Common Stock				
	Shares issued and outstanding	Amount	Additional paid-in capital	Accumulated deficit	Total
Balance, December 31, 2003 (audited)	400	$	$ 7,250	$ (3,421)	$ 3,829
Net income				4,291	4,291
Dividends and distributions				(13,774)	(13,774)
Balance, June 30, 2004 (unaudited)	400	$	$ 7,250	$ (12,904)	$ (5,654)

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CENTRUM ACQUISITION, INC. AND AFFILIATES

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (unaudited)

($ in thousands)

	Six months ended June 30,	
	2004	**2003**
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	$ 4,291	$ 7,705
Non-cash Items included in net income		
Depreciation and amortization	5,516	5,054
(Gain) loss on disposal of equipment	1	(100)
Changes in:		
Accounts and other receivables	(2,600)	763
Receivables due from factors	(11,519)	(3,067)
Inventories	(3,824)	4,624
Prepaid expenses	(488)	(663)
Other assets		(135)
Accounts payable and accrued expenses	12,530	(3,128)
Accrued interest expense	1,369	
Net cash provided by operating activities	5,276	11,053
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for acquisition of equipment	(2,113)	(459)
Proceeds from sale of equipment	60	121
Net cash used in investing activities	(2,053)	(338)
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase in factor advances	9,479	3,909
Net advances (repayments) on notes payable to banks	9,674	(2,805)
Repayment of notes to former stockholders	(2,722)	
Principal repayment of subordinated debt	(12,000)	
Principal payments long term debt and capital leases	(5,773)	(5,390)
Principal borrowings of long term debt and capital leases	11,999	
Payment of loan commitment fees and costs	(671)	
Distributions and dividends to stockholders	(12,000)	(4,615)
Net cash used in financing activities	(2,014)	(8,901)
NET INCREASE IN CASH	1,209	1,814
CASH, Beginning of period	1,656	2,046

CASH, End of Period	$ 2,865	$ 3,860
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATON		
Cash paid during the period for:		
Interest	$ 3,207	$ 2,063
Income taxes	$ 286	$ 541
DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Proceeds on sale of land applied to long-term debt	$	$ 289
Obligation incurred for the acquisition of equipment	$ 1,091	$ 43
Dividend declared, not distributed	$ 1,800	$
Refinancing of subordinated debt into new note	$ 6,000	$

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CENTRUM ACQUISITION, INC.

NOTES TO CONDENSED CONSOLIDATED AND

COMBINED FINANCIAL STATEMENTS (Unaudited)

($ in thousands)

Note 1. Basis of Presentation

The accompanying condensed consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and are unaudited pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. All adjustments that, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal recurring nature and have been reflected in the condensed consolidated and combined financial statements. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or for any future period. The information included in these condensed consolidated and combined financial statements should be read in conjunction with Centrum s consolidated and combined financial statements and accompanying notes for the fiscal year ended December 31, 2003 included in the accompanying prospectus statement.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates. Certain reclassifications to the December 31, 2003 balance sheet have been made for consistent presentation.

Note 2. Other Receivables

Other receivables at June 30, 2004 consist of legal fees and settlement costs that Centrum incurred relating to the settlement of certain contingent liabilities, and certain disputed accounts receivable, that existed prior to Centrum s November 10, 2003 acquisition of A and G, Inc. (A and G). Under the terms of the related purchase agreement, the former stockholders of A and G are required to indemnify and reimburse Centrum for such costs and amounts incurred, and can be setoff against the subordinated notes payable to these former stockholders. The subordinated notes payable aggregated approximately $35,000 at June 30, 2004.

Note 3. Inventories

Inventories consisted of the following as of:

	June 30, 2004	December 31, 2003
Finished goods	$ 41,447	$ 43,213
Work-in-process	9,648	5,287
Raw Materials	2,703	1,473
	$ 53,798	$ 49,973

Note 4. Goodwill and Intangible Assets

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets , Centrum has completed the fair value analysis for goodwill and other intangible assets as of December 31, 2003, and concluded that no impairment existed. As of June 30, 2004, Centrum believed that no indicators of impairment existed. Aggregate amortization expense on identifiable intangible assets was approximately $946 and $0 for the six months ended June 30, 2004 and 2003. Amortization expense is expected to be approximately $1,866 in each of the next three fiscal years, $1,128 in fiscal year 2007, and $969 in fiscal year 2008.

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CENTRUM ACQUISITION, INC.

NOTES TO CONDENSED CONSOLIDATED AND

COMBINED FINANCIAL STATEMENTS (Unaudited) (Continued)

($ in thousands)

Changes to the original cost basis of goodwill during the six months ended June 30, 2004 were primarily due to insignificant purchase price adjustments.

Note 5. Long-Term Debt

On June 30, 2004, Centrum amended its revolving and term credit facility that resulted in an increase of credit facility commitment from $40,000 to $46,000. In connection with this amendment, Centrum refinanced $12,000 of the $18,000 of subordinated seller debt outstanding, which was scheduled to mature on June 30, 2004 (the Term B note), and increased the revolving loan limit by $5,000. The Term B note is a secured term loan that bears interest at the greater of 11% per annum or LIBOR plus 4%, and requires amortization of the original principal balance at the rate of 1.25% per quarter with remaining, unpaid principal due June 2008. The Term B note provides for a prepayment fee of 3% and 2% if prepaid prior to the first and second anniversary, respectively, but no prepayment fee will apply if prepaid prior to January 15, 2005. In addition, an exit fee of 3.5% will be paid on the outstanding Term B principal (as defined) upon maturity or if repaid earlier, but no exit fee will be due if a change of control (as defined) occurs prior to January 15, 2005. The remaining $6,000 of the subordinated seller debt was refinanced with the note holders on June 30, 2004 into a new note that bears substantially the same terms as the Term B note. Concurrent with closing of this amended and restated credit facility $12,000 was advanced against the credit facility and distributed as a dividend to the stockholders of Centrum. The $12,000 advance is secured on a dollar-for-dollar basis by certificates of deposits pledged by the Centrum stockholders in favor of the lender, and must be repaid no later than January 2005. The stockholders of Centrum intend to assume and repay this amount prior to consummation of the merger.

The amended and restated credit facility expires in June 2008, is collateralized by substantially all of Centrum s assets and bears interest at rates ranging from 300 to 400 basis points over the LIBOR rate as defined in the agreement. At June 30, 2004, indebtedness under the bank credit facility included commitments for standby letters of credit aggregating approximately $1,900, which is principally related to Centrum s workers compensation insurance program.

The amount available under the credit facility s revolving credit line was approximately $3,900 as of June 30, 2004. The credit facility contains customary affirmative covenants, negative covenants and conditions of borrowings, all of which were met as of June 30, 2004. A breach of these covenants, or the covenants under Centrum s current or any future bank credit facility, that continues beyond any grace period can constitute a default, which can limit the ability to borrow and can give rise to a right of the lenders to terminate the applicable facility and/or require immediate repayment of any outstanding debt. Long-term debt at June 30, 2004 consists principally of 11% senior secured notes due June 2008; 8% subordinated notes due January, 2011; 12% subordinated notes due January, 2014; and capital leases and long term debt collateralized by equipment with interest rates ranging from 5% to 9.68%.

In connection with Centrum s acquisition of A and G in November 2003, the change in control and/or net worth covenants were violated in certain of Centrum s capital lease and equipment collateralized debt agreements. Violation of these covenants provides the lender with the right, but not the obligation, to terminate the applicable facility and/or require immediate payment of any outstanding debt. As of June 30, 2004 Centrum is in technical default under capital leases and equipment collateralized loans aggregating approximately $5,600 but no notices to terminate the related borrowings have been made. Centrum has been successful in obtaining waivers or refinancing on substantially similar terms $8,200 in such related loans and capital leases since December 31, 2003 and anticipates that it will be able to refinance any future demands for payoff through new borrowings.

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CENTRUM ACQUISITION, INC.

NOTES TO CONDENSED CONSOLIDATED AND

COMBINED FINANCIAL STATEMENTS (Unaudited) (Continued)

($ in thousands)

Note 6. Commitments, Contingencies and Off-Balance Sheet Arrangements

In June 2003, the Bureau of Immigration and Customs Enforcement conducted an I-9 investigation of Centrum and notified Centrum of concerns about the validity of U.S. work authorizations of over 600 workers. All of such workers from Mexico who were still employed by Centrum at the time of such notice have been terminated by Centrum, terminated their employment with Centrum voluntarily or were subsequently found to be validly authorized.

At December 31, 2003, Centrum was a defendant to a lawsuit filed by a former vendor for breach of a production contract, which sought damages in excess of $9,000. In June 2004, Centrum reached a settlement in this matter by agreeing to pay this vendor $650.

In May 2004, Centrum was notified by the Internal Revenue Service that the IRS would perform a Form 8300 compliance review of Centrum. The IRS identified approximately 20 instances of alleged failure to file Currency Transaction Reports. On August 17, 2004, this matter was settled with the IRS for $501.

In August 2004, Centrum entered into a purchase commitment with one of its principal cotton yarn suppliers to provide certain quantities of cotton yarn at negotiated prices commencing November 2004 and extending through December 2005. This created a minimum non-cancelable purchase commitment by Centrum aggregating approximately $40,000 for deliveries through December 2005, with $12,000 of this amount subject to certain price reductions, at Centrum s option, if the underlying commodity traded cost of cotton falls below the monthly negotiated price.

The Company finances its use of certain facilities and equipment under committed lease arrangements provided by various institutions. Since the terms of these arrangements meet the accounting definition of operating lease arrangements, the aggregate sum of future minimum lease payments is not reflected on the consolidated balance sheet. At June 30, 2004, future minimum lease payments under these arrangements, net of related sublease income, approximated $25,600.

During its normal course of business, the Centrum has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include non-infringement of patents and intellectual property indemnities to the Centrum customers in connection with the delivery, design, manufacture and sale of its products, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to other parties to certain acquisition agreements. The

duration of these indemnities, commitments and guarantees varies, and in certain cases is indefinite. Centrum believes that substantially all of these indemnities, commitments and guarantees provide for limitations on the maximum potential future payments the Company could be obligated to make. However, the Company is unable to estimate the maximum amount of liability related to its indemnities, commitments and guarantees because such liabilities are contingent upon the occurrence of events which are not reasonably determinable. Management believes that any liability for these indemnities, commitments and guarantees would not be material to the accompanying condensed consolidated financial statements. Accordingly, no expenses have been accrued for indemnities, commitments and guarantees

Note 7. Recent Accounting Pronouncements

In December 2003, the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition, which supersedes SAB 101, Revenue Recognition in Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED AND

COMBINED FINANCIAL STATEMENTS (Unaudited) (Continued)

($ in thousands)

The adoption of SAB 104 did not have a material impact on Centrum s revenue recognition policies, nor its financial position or results of operations.

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107, and rescission of FIN No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others. FIN No. 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Centrum s adoption of such interpretation did not have a material impact on its results of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The adoption of SFAS No. 149 had no impact on Centrum s results of operations or Centrum s financial position. Centrum currently has no derivative instruments and is not currently involved in hedging activities.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Instruments with Characteristics of both Liabilities and Equity, (SFAS 150) which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003 for public companies. In October 2003, the FASB deferred implementation of paragraphs 9 and 10 of SFAS 150 regarding parent company treatment of minority interest for certain limited life entities. This deferral is for an indefinite period. The adoption of SFAS 150 did not have a material impact on Centrum s financial statements.

Note 8. Agreement to Merge

On June 25, 2004, Ennis, Inc. (formerly Ennis Business Forms, Inc.) (Ennis), a manufacturer of printed business products headquartered in Midlothian, Texas, and Centrum signed a definitive agreement to merge. Under the terms of the transaction, Centrum stockholders will receive a

combination of Ennis shares and cash. The number of shares received by Centrum stockholders will be determined based upon a $242,000 enterprise valuation of Centrum less (i) debt outstanding as of the day of merger, (ii) the total amount of cash consideration paid to Centrum stockholders at the closing and (iii) the $400 in non-competition payments. The resulting value will be divided by the average trading price of Ennis over the previous 30-day trading period, which was $15.63 per share.

It is anticipated that, for federal income tax purposes, after the merger Centrum s business activities will be conducted by a C corporation. Accordingly, it is expected that provisions for income taxes will substantially increase as taxes will be provided at statutory state and federal rates.

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ANNEX A

AGREEMENT AND PLAN OF MERGER

By and Among

ENNIS, INC.,

MIDLOTHIAN HOLDINGS LLC

and

CENTRUM ACQUISITION, INC.

Dated as of June 25, 2004

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ANNEX A

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this Agreement) is made and entered into as of June 25, 2004, by and among ENNIS, INC., a Texas corporation (Purchaser), MIDLOTHIAN HOLDINGS LLC, a Delaware limited liability company and wholly-owned subsidiary of Purchaser (Merger Sub), and CENTRUM ACQUISITION, INC., a Delaware corporation (the Company). All capitalized terms used herein but not defined where used shall have the meaning set forth in Article 9.

WITNESSETH:

WHEREAS, the respective Boards of Directors of Purchaser, Merger Sub and the Company have adopted and approved this Agreement (which includes the plan of merger contemplated by the applicable provisions of the Delaware General Corporation Law (the DGCL)) and the merger (the Merger or the Transaction) of the Company with and into the Merger Sub in accordance with the laws of the State of Delaware, other applicable state law and the provisions of this Agreement;

WHEREAS, the respective Boards of Directors of Purchaser and the Company have determined that the Transaction is in furtherance of and consistent with their respective business strategies and is in the best interest of their respective stockholders, and Purchaser has approved this Agreement and the Transaction on its own behalf and as the sole member of Merger Sub;

WHEREAS, for United States federal income tax purposes, it is intended that the Transaction and the other transactions provided for herein shall qualify as a reorganization under §368(a) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the Code), and this Agreement is intended to be and is adopted as a plan of reorganization within the meaning of §368 of the Code;

WHEREAS, the Company, Purchaser and Merger Sub desire to make certain representations, warranties and agreements in connection with, and establish various conditions precedent to, the Merger; and

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. TERMS OF THE MERGER

1.1 *The Merger*.

Upon the terms and subject to the conditions of this Agreement, the Merger shall be consummated in accordance with the DGCL. Except as provided below, at the Effective Time (as defined below), upon the terms and subject to the conditions of this Agreement, the Company shall be merged with and into the Merger Sub in accordance with the DGCL and the Delaware Limited Liability Company Act (the DLLCA), and the separate existence of the Company shall thereupon cease, and the Merger Sub, as the surviving entity in the Merger (the Surviving Entity), shall continue its existence under the laws of the State of Delaware. The parties shall prepare and the Surviving Entity shall execute and file a mutually acceptable Certificate of Merger (the Certificate of Merger) with the Secretary of State of Delaware in order to comply in all respects with the requirements of the DGCL, the DLLCA and with the provisions of this Agreement.

1.2 *The Closing; Effective Time*.

(a) The closing of the Transaction (the Closing) shall take place at the offices of Gardner Carton & Douglas LLP, 191 N. Wacker Drive, Suite 3700, Chicago, Illinois, at 10:00 a.m. local time on: (a) November 15, 2004, or (b) September 30, 2004 in the event Company delivers written notice ten (10) days prior to such date of

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its desire to hold the Closing on such date; or (c) such other date as mutually agreed by the parties in writing which shall be no later than the third (3rd) business day after the date that all of the closing conditions, except for conditions which, by their terms, are to be satisfied by deliveries made on the Closing Date, set forth in Article 6, have been satisfied or waived (if waivable).

(b) The Merger shall become effective at the time of the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the applicable provisions of the DGCL and the DLLCA, or at such later time as may be specified in the Certificate of Merger. The time when the Merger shall be effective is herein referred to as the Effective Time and the date on which the Effective Time occurs is herein referred to as the Closing Date.

1.3 *Merger Consideration; Conversion of Securities*.

(a) Subject to the provisions of this Agreement and any applicable backup or other withholding requirements, each of the issued and outstanding shares of Class A common stock and Class B common stock, $1.00 par value, of the Company (the Company Stock) outstanding immediately prior to the Effective Time (except for Company Stock to be cancelled as set forth in Section 1.3(d)) shall be converted, by virtue of the Merger and without any action on the part of the holder thereof, into the Purchaser Stock Consideration, without any interest thereon, subject to payment of cash in lieu of any fractional share as hereinafter provided, subject to adjustment as provided in Section 1.15(b) (the Merger Consideration). For purposes hereof, the following terms have the following respective meanings:

Company Debt means, with respect to the Company or any Company Subsidiary, the indebtedness for interest-bearing borrowed money and funded debt as set forth on Section 1.3 of the Company Disclosure Schedule, together with accrued interest through the Closing Date thereon, if any, based on the Company s good faith estimate made immediately prior to Closing*; provided, however,* that the Company Debt shall not be less than $104,000,000 on the date hereof and on the Closing Date.

Company Per Share Value means a fraction, the numerator of which is the Company Value, and the denominator of which is the Outstanding Company Stock.

Company Value means (a) $242,000,000, *less* (b) Company Debt, *less* (c) the Noncompetition Consideration.

Outstanding Company Stock means the Company Stock issued and outstanding immediately prior to the Effective Time, but excluding Company Stock to be cancelled pursuant to Section 1.3(d).

Purchaser Rights means rights to purchase Series A Junior Participating Preferred Stock, $10.00 par value per share (the Preferred Stock), of Purchaser distributed to holders of Purchaser Stock pursuant to the Rights Agreement dated November 4, 1998, as amended, between the Purchaser and Harris Trust and Savings Bank, as Rights Agent.

Purchaser Stock means the common stock of Purchaser, $2.50 par value per share, and associated Purchaser Rights. For clarification, each reference herein to Purchaser Stock shall include the associated Purchaser Rights.

Purchaser Stock Consideration means the right of a Company Stockholder to receive a certain number of shares of Purchaser Stock for each share of Company Stock, which number of shares of Purchaser Stock shall be equal to a fraction, the numerator of which is (a) the Company Per Share Value, and (b) the denominator of which is the Purchaser Stock Value.

Purchaser Stock Value means $15.63, representing the average closing price, as listed on the New York Stock Exchange, Inc. (NYSE), of the Purchaser Stock over the thirty (30) trading days immediately preceding the date hereof.

All such shares of Company Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate previously representing any such shares shall thereafter

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represent the right to receive a certificate representing the shares of Purchaser Stock into which such Company Stock was converted in the Merger. Certificates previously representing shares of Company Stock shall be exchanged for certificates representing whole shares of Purchaser Stock issued in consideration therefor upon the surrender of such certificates in accordance with the provisions of Section 1.6, without interest.

(b) Each share of Purchaser Stock and any and all shares of Preferred Stock, if any, outstanding immediately prior to the Transaction shall remain issued and outstanding after the Transaction.

(c) At and after the Effective Time, the Merger shall have the effects set forth in the DGCL and as set forth in the DLLCA. The Surviving Entity shall continue to be governed by the laws of the State of Delaware and the separate limited liability company existence of the Surviving Entity with all rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger. Limited liability shall be retained by the Surviving Entity.

(d) Any shares of Company Stock held in the treasury of the Company immediately prior to the Merger shall be cancelled and retired at the Effective Time and shall cease to exist and no Purchaser Stock or other consideration shall be delivered in exchange therefor.

(e) On and after the Effective Time, holders of certificates representing shares of Company Stock (the Certificates) immediately prior to the Effective Time shall cease to have any rights as stockholders of the Company, except the right to receive the Merger Consideration for each Company Share held by them, and all shares of Company Stock shall be cancelled as of the Effective Time.

(f) If between the date of this Agreement and the Effective Time, the outstanding shares of Company Stock or Purchaser Stock shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of a class of shares, the Purchaser Stock Consideration shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares.

(g) At the Effective Time, by virtue of the Merger and without any action on the part of Purchaser, Merger Sub, the Company or any holder of any shares of the Company Stock or any member s interests of Merger Sub, all of the member s interests of Merger Sub outstanding immediately prior to the Effective Time shall be deemed to represent all of the outstanding member s interests of the Surviving Entity. As a result of the Merger, all Company Stock shall be cancelled as of the Effective Time.

(h) The Purchaser Stock Consideration for the Company s Class A Common Stock is approximately $2,500,000 in the aggregate.

1.4 *Escrow of Portion of Purchaser Stock Consideration*. Pursuant to the terms of the Seller Indemnity Agreement, and notwithstanding anything contained herein to the contrary, at Closing, Purchaser shall deposit into escrow on behalf of the Company Stockholders the Indemnification Escrow Shares, to be held in escrow for the benefit of the Company Stockholders subject only to claims for indemnification made in accordance with the Seller Indemnity Agreement. Indemnification Escrow Shares means the number of shares of Purchaser Stock represented by a fraction, the numerator of which is $5,000,000, and the denominator of which is the Purchaser Stock Value. The Company Stockholders shall not be required to make any subsequent deposits of Purchaser Stock or cash into escrow. In addition, the Company Stockholders shall be entitled to receive distributions and payments of dividends on any Indemnification Escrow Shares pending release of the

Indemnification Escrow Shares to the Company Stockholders.

1.5 *Appraisal Rights*. Pursuant to Section 228 of the DGCL, immediately prior to the date hereof, all of the Company Stockholders consented to the Merger and, accordingly, shall not be entitled to appraisal rights as a result of the Merger.

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1.6 *Issuance of Purchaser Stock Consideration*.

(a) At Closing, Purchaser shall (i) deliver to the Company Stockholders certificates representing an aggregate number of shares of Purchaser Stock as nearly as practicable equal to the number of shares to be converted into Purchaser Stock as determined in Section 1.3(a), *less* (A) the Indemnification Escrow Shares and (B) the Company Debt Holdback Shares, and (ii) an amount in cash equal to the cash to be paid in lieu of fractional shares, if necessary.

(b) As soon as practicable on the day of the Closing (but after the Effective Time), each holder of Company Stock, upon surrender at Closing to Purchaser of one or more Certificates for such Company Stock for cancellation, shall receive (and the Purchaser shall deliver) the deliveries set forth in Section 1.6(a).

(c) No dividends or distributions that have been declared, if any, will be paid to persons entitled to receive certificates for shares of Purchaser Stock until such persons surrender their certificates for Company Stock, at which time all such dividends and distributions shall be paid. In no event shall the persons entitled to receive such dividends be entitled to receive interest on such dividends. If any certificate for such Purchaser Stock is to be issued in a name other than that in which the certificate for Company Stock surrendered in exchange therefor is registered, it shall be a condition of such exchange that the person requesting such exchange shall pay to the Purchaser any transfer or other taxes required by reason of issuance of certificates for such Purchaser Stock in a name other than the registered holder of the certificate surrendered, or shall establish to the satisfaction of the Purchaser that such tax has been paid or is not applicable. Notwithstanding the foregoing, no party hereto shall be liable to a holder of Company Stock for any Purchaser Stock or dividends thereon delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

1.7 *Missing Certificates*. If any holder of Company Stock convertible into the right to receive the Merger Consideration is unable to deliver the certificate which represents such shares, the Purchaser shall deliver to such holder the Merger Consideration to which the holder is entitled for such shares upon presentation of the following: (a) evidence to the reasonable satisfaction of the Purchaser that any such certificate has been lost, wrongfully taken or destroyed; (b) such security or indemnity as may be reasonably requested by the Purchaser to indemnify and hold harmless the Purchaser; and (c) evidence satisfactory to the Purchaser that such person is the owner of the shares theretofore represented by each certificate claimed to be lost, wrongfully taken or destroyed and that the holder is the person who would be entitled to present such certificate for payment pursuant to this Agreement.

1.8 *Certificate of Formation and Operating Agreement*. The Certificate of Formation and Operating Agreement of Merger Sub in effect immediately prior to the Effective Time shall thereafter continue to be the Certificate of Formation and Operating Agreement of the Surviving Entity until duly amended further in accordance with the terms thereof and the DLLCA.

1.9 *Managers and Officers*. At and after the Effective Time, the manager and officers of Merger Sub holding office immediately prior to the Effective Time shall be the managers and officers of the Surviving Entity, in each case until their successors are elected or appointed and qualified. If, at the Effective Time, a vacancy shall exist with respect to the manager(s) or in any office of the Surviving Entity, such vacancy may thereafter be filled in the manner provided by Law.

1.10 *Stock Transfer Books*. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of Company Stock shall thereafter be made.

1.11 *Other Effects of Merger*. The Merger shall have all further effects as specified in the applicable provisions of the DGCL and the DLLCA. Without limiting the generality of the foregoing, at the Effective Time, except as otherwise provided herein, all the property, rights, privileges, powers and franchises of Merger Sub and the Company shall vest in the Surviving Entity, and all debts, liabilities and duties of Merger Sub and the Company shall become the debts, liabilities and duties of the Surviving Entity.

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1.12 *Registration Statement Prospectus/Proxy Statement and Listing Application*.

(a) For the purposes of (i) registering Purchaser Stock for issuance to holders of the Company Stock in connection with the Merger with the Securities and Exchange Commission (SEC) under the Securities Act of 1933, as amended, and the rules and regulations thereunder (the Securities Act), and complying with applicable state securities laws, and (ii) holding the meeting of the Purchaser s stockholders to vote upon the approval of this Agreement and the Merger and the other transactions contemplated hereby (collectively, the Proposals), Purchaser and the Company will cooperate in the preparation of a registration statement on Form S-4 (such registration statement, together with any and all amendments and supplements thereto, being referred to herein as the Registration Statement), including a prospectus/proxy statement satisfying all requirements of applicable state securities laws, the Securities Act and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the Securities Exchange Act). Such prospectus/proxy statement in the form mailed by the Purchaser to its stockholders, together with any and all amendments or supplements thereto, is herein referred to as the Prospectus/Proxy Statement.

(b) The Company will furnish Purchaser with such information concerning the Company and the Company Subsidiaries as Purchaser may reasonably request in connection with the preparation of the Prospectus/Proxy Statement. None of the information relating to the Company and the Company Subsidiaries supplied by the Company for inclusion in the Prospectus/Proxy Statement will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Company agrees promptly to advise Purchaser if, at any time prior to the meeting of the stockholders of the Purchaser referenced herein, any information provided by it in the Prospectus/Proxy Statement is or becomes incorrect or incomplete in any material respect and to provide Purchaser with the information needed to correct such inaccuracy or omission.

(c) None of the information relating to Purchaser and its Subsidiaries supplied by Purchaser for inclusion in the Prospectus/Proxy Statement will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Purchaser agrees promptly to advise the Company if, at any time prior to the meeting of stockholders of the Purchaser referenced herein, any information provided by it in the Prospectus/Proxy Statement is or becomes incorrect or incomplete in any material respect.

(d) The Company and Purchaser agree to cooperate in making any preliminary filings of the Prospectus/Proxy Statement with the SEC, as promptly as practicable, under the Securities Exchange Act.

(e) Purchaser will file the Registration Statement with the SEC and appropriate materials with applicable state securities agencies, if required, as promptly as practicable and will use all reasonable efforts to cause the Registration Statement to become effective under the Securities Act and all such state filed materials to comply with applicable state securities Laws. Purchaser shall provide the Company for its review a copy of the Registration Statement at least such amount of time prior to each filing thereof as is customary in transactions of the type contemplated hereby. The Company authorizes Purchaser to utilize in the Registration Statement and in all such state filed materials, the information concerning the Company and the Company Subsidiaries provided to Purchaser in connection with, or contained in, the Prospectus/Proxy Statement. Purchaser promptly will advise the Company when the Registration Statement has become effective, and of any supplements or amendments thereto, and Purchaser will furnish the Company with copies of all documents. Except for the Prospectus/Proxy Statement or the preliminary prospectus/proxy statement, and except as otherwise required by law, neither Purchaser nor the Company shall distribute any written material that might constitute a prospectus or proxy solicitation material relating to the Merger or the Proposals within the meaning of the Securities Act, the Securities Exchange Act or any applicable state securities Law without the prior written consent of the other party.

(f) Promptly after the execution of this Agreement, Purchaser shall prepare and file with the NYSE a listing application covering the shares of Purchaser Stock issuable in the Merger, and use its commercially reasonable

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efforts to obtain, prior to the Effective Time, approval or the listing of such shares of Purchaser Stock, subject only to official notice of issuance. The shares of Purchaser Stock comprising the Merger Consideration shall not be subject to any restrictions or other limitations that are not currently applicable to all other holders of Purchaser Stock, except for restrictions on transfer under the Securities Act, the securities laws of various states, or the rules and regulations promulgated under the foregoing.

1.13 *Tax-Free Reorganization*. The parties intend that the Merger qualify as a reorganization within the meaning of §368(a) of the Code. None of the parties will knowingly take any action other than any action contemplated herein that would cause the Merger to fail to qualify as a reorganization within the meaning of §368(a) of the Code.

1.14 *Additional Actions*. If, at any time after the Effective Time, the Surviving Entity shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity its right, title or interest in, to or under any of the rights, properties or assets of the Company or otherwise carry out this Agreement, the officers and directors of the Surviving Entity shall be authorized to execute and deliver, in the name and on behalf of the Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of the Company, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

1.15 *Company Debt*.

(a) At Closing, Purchaser shall retain the Company Debt Holdback Shares, to be held for the benefit of Purchaser, but subject to reduction, in accordance with Section 1.15(b) below. Company Debt Holdback Shares means the number of shares of Purchaser Stock represented by a fraction, the numerator of which is $750,000, and the denominator of which is the Purchaser Stock Value.

(b) Within ten (10) business days following the Closing Date, Purchaser and Merger Sub shall determine the Final Company Debt, and shall deliver to the Company Stockholders a written statement setting forth, in reasonable detail, the actual calculation of the Company Debt as of the Closing Date (the Final Company Debt), together with any documents substantiating same as may be reasonably requested by the Company Stockholders. In the event the Final Company Debt exceeds the Company Debt, Purchaser and Merger Sub shall reduce the Purchaser Stock Consideration by the amount of such excess, on a dollar-for-dollar basis; *provided, however,* that in no event may such adjustment exceed the Company Debt Holdback Shares (the Debt Adjustment). Any Company Debt Holdback Shares remaining after such determination and adjustment shall be promptly delivered to the Company Stockholders, on a pro rata basis in proportion to their respective shares of Company Stock. The Merger Consideration shall be reduced by the Debt Adjustment, if any.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Notwithstanding anything contained herein to the contrary, Purchaser and Merger Sub understand that, upon consummation of the Transaction by operation of Law, the Surviving Entity shall continue to possess all of its rights to indemnification for representations and warranties made for the benefit of Company under the Stock Purchase Agreement. Accordingly, except as set forth in the disclosure schedule from the Company to Purchaser to be delivered upon the execution of this Agreement, which sets forth certain disclosures concerning the Company and its business (the Company Disclosure Schedule), and solely with respect to the period commencing on November 10, 2003 (but except with respect to the representations and warranties set forth in Sections 2.6 and 2.19 which shall be governed by different temporal restrictions as set forth therein),

the Company hereby represents and warrants to Purchaser and Merger Sub as follows:

2.1 *Organization and Good Standing*. Section 2.1 of the Company Disclosure Schedule contains a complete and accurate list for Company and each Company Subsidiary of its name, its jurisdiction of incorporation or

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formation, other jurisdictions in which it is authorized to do business, and its capitalization (including the identity of each stockholder and the number of shares held by each) and accurately depicts the ownership relationships among the Company and each of the Company Subsidiaries. Company and each Company Subsidiary is a corporation or limited liability company duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation, with full power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under Applicable Contracts. Company and each Company Subsidiary is duly qualified to do business as a foreign entity and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification. Company has delivered to Purchaser copies of the Organizational Documents of Company and each Company Subsidiary, as currently in effect.

2.2 *Authority; No Conflict*.

(a) This Agreement constitutes the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with its terms. The Company has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and to perform its obligations under this Agreement.

(b) Except as set forth in Section 2.2 of the Company Disclosure Schedule and except as described in Section 2.29, neither the execution and delivery of this Agreement nor the consummation or performance of the Merger will, directly or indirectly (with or without notice or lapse of time):

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

(ii) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge the Merger or to exercise any remedy or obtain any relief under, any Law or any Order to which the Company or any Company Subsidiary, or any of the assets owned or used by the Company or any Company Subsidiary, may be subject;

(iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by Company or any Company Subsidiary or that otherwise relates to the business of, or any of the assets owned or used by, Company or any Company Subsidiary;

(iv) with the exception of certain financing leases identified on Section 2.2 of the Company Disclosure Schedule, contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; or

(v) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned or used by the Company or any Company Subsidiary.

(c) Except as set forth in Section 2.2 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of the Merger.

(d) Company has taken all actions necessary under the DGCL to adopt and approve this Agreement, the Merger and the transactions contemplated by this Agreement. To the knowledge of Company, no other fair price, moratorium, or other similar anti-takeover statute or regulation prohibits (by reason of the Company s participation therein) the Merger or the other transactions contemplated by this Agreement.

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2.3 *Capitalization*.

(a) The authorized equity securities of the Company consist of 1,000 shares of Class A common stock, and 19,000 shares of Class B common stock, par value $1.00 per share, of which four (4) Class A shares of common stock and three hundred ninety-six (396) Class B shares of common stock are issued and outstanding and constitute the Company Stock. The four (4) Class A shares of common stock of the Company are the only outstanding voting securities of the Company, and the shares of Class B common stock do not have any voting rights except as required under the DGCL. With the exception of the Company Stock (which are owned by the Company Stockholders), all of the outstanding equity securities and other securities of each Company Subsidiary are owned of record and beneficially by one or more of the Company or the Company Subsidiaries, free and clear of all Encumbrances. No legend or other reference to any purported Encumbrance appears upon any certificate representing equity securities of the Company or any Company Subsidiary. All of the outstanding equity securities of the Company and each Company Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable. There are no Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of the Company or any Company Subsidiary. Neither the Company nor any Company Stockholder are a party to any option, warrant, purchase right, or other agreement that would require any of them to sell, transfer or otherwise dispose of the Company Stock nor a party to any voting trust, any proxy or agreement with respect to the Company Stock (other than this Agreement or the Shareholders Agreement). None of the outstanding equity securities or other securities of the Company or any Company Subsidiary was issued in violation of the Securities Act or any other Law. Neither the Company nor any Company Subsidiary owns, or has any Contract to acquire, any equity securities or other securities of any Person (other than a Company Subsidiary) or any direct or indirect equity or ownership interest in any other business.

(b) The Company directly owns all of the capital stock of A and G, Inc., an Illinois corporation, and all of the shares of capital stock or membership interests in the Company Subsidiaries as set forth on Section 2.2 of the Company Disclosure Schedule, free and clear of all Encumbrances. Except for the assets set forth in the immediately preceding sentence and the liabilities identified on Section 2.3(b) of the Company Disclosure Schedule, the Company does not have any other assets or liabilities and has not had any other assets or liabilities since the Company s date of incorporation.

2.4 *Financial Statements*. The Company has delivered to Purchaser: (a) audited balance sheets of the Company and for each Company Subsidiary as at December 31 2003 (including the notes thereto, the Balance Sheet), plus a combined financial statement for the period ending December 31 2003 and the related audited consolidated statements of income, changes in stockholders equity, and cash flow for each of the fiscal years then ended, together with the report thereon of Moss Adams LLP, independent certified public accountants, and (b) an unaudited consolidated balance sheet of the Company and each Company Subsidiary as at May 31, 2004 (the Interim Balance Sheet) and the related unaudited consolidated statements of income, changes in stockholders equity, and cash flow for the five (5) months then ended, including in each case the notes thereto (collectively, the Financial Statements) all of which are attached hereto as Section 2.4 of the Company Disclosure Schedule. Except with respect to the distribution provided for in Section 5.16, such Financial Statements and notes fairly present, in all material respects, the financial condition and the results of operations, changes in stockholders equity, and cash flow of the Company and each Company Subsidiary as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP, subject, in the case of interim financial statements, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes (that, if presented, would not differ materially from those included in the Balance Sheet); the Financial Statements reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. No financial statements of any Person other than the Company Subsidiaries are required by GAAP to be included in the consolidated financial statements of the Company.

2.5 *Books and Records*. The books of account, minute books, stock record books, and other records of the Company and each Company Subsidiary have been made available to Purchaser. As of the Effective Time, all of those books and records will be in the possession of the Merger Sub.

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2.6 *Title to Properties; Encumbrances*.

(a) Section 2.6 of the Company Disclosure Schedule contains a complete and accurate list of all of the Acquired Facilities. The Company has delivered or made available to Purchaser copies of the instruments by which the Company and/or each Company Subsidiary acquired leasehold interests in such Acquired Facilities. The Company and/or each Company Subsidiary own all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) that they purport to own located in the facilities owned or operated by the Company and/or each Company Subsidiary or reflected as owned in the books and records of the Company and/or each Company Subsidiary, including all of the properties and assets reflected in the Balance Sheet and the Interim Balance Sheet (except for assets held under capitalized leases disclosed or not required to be disclosed in Section 2.6 of the Company Disclosure Schedule and personal property sold since the date of the Balance Sheet and the Interim Balance Sheet, as the case may be, in the Ordinary Course of Business), and all of the properties and assets purchased or otherwise acquired by the Company and any Company Subsidiary since the date of the Balance Sheet (except for personal property acquired and sold since the date of the Balance Sheet in the Ordinary Course of Business and consistent with past practice), which subsequently purchased or acquired properties and assets (other than inventory and short-term investments) are listed in Section 2.6 of the Company Disclosure Schedule. Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), all material properties and assets reflected in the Balance Sheet and the Interim Balance Sheet are free and clear of all Encumbrances, except for (a) mortgages or security interests shown on the Balance Sheet or the Interim Balance Sheet as securing specified liabilities or obligations, with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (b) mortgages or security interests incurred in connection with the purchase of property or assets after the date of the Interim Balance Sheet (such mortgages and security interests being limited to the property or assets so acquired), with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (c) liens for current taxes not yet due, and (d) with respect to real property, (i) minor imperfections of title, if any, none of which is substantial in amount, materially detracts from the value or impairs the use of the property subject thereto, or impairs the operations the Company or any Company Subsidiary, and (ii) zoning laws and other land use restrictions that do not impair the present or anticipated use of the property subject thereto.

(b) With respect to any Facilities owned by the Mexican Companies, since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), each Mexican Company that owns such Facilities has clear unencumbered title thereto, and each such Company has verified that all formalities and requirements were duly observed and obtained when purchasing such real property, including without limitation, all approvals by collective land-owners (Ejidatarios), all appropriate registrations in the applicable Real Property Registry and payment of all applicable transfer taxes.

(c) Notwithstanding anything contained in this Section 2.6 to the contrary, for purposes of this Section 2.6 only, knowledge shall mean the actual knowledge of Roger Brown only for the period commencing June 30, 2001 and ending on November 9, 2003, and shall not include any knowledge or facts constructively known or imputed to him.

2.7 *Condition and Sufficiency of Assets*. Since November 10, 2003, to the Company s knowledge, neither the Company nor any Company Subsidiary has received written notice that the buildings, plants, structures, and equipment of the Company and each Company Subsidiary are not structurally sound, not in good operating condition and repair, or are inadequate for the uses to which they are being put, nor since November 10, 2003, to the Company s knowledge, neither the Company nor any Company Subsidiary has received written notice that any of such buildings, plants, structures, or equipment is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. Upon consummation of the Merger, Surviving Entity shall possess all of the assets necessary to operate the Business in the manner presently operated by the Company and the Company Subsidiaries. Notwithstanding anything contained in this Section 2.7 to the contrary, in no event shall Company be liable for a breach of the representations and warranties set forth in this Section 2.7 unless and until the damages or losses related thereto exceed $250,000.

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2.8 *Accounts Receivable*.

(a) Except as adequately reserved on the Interim Balance Sheet, all Accounts Receivable (which do not include Factored Accounts) that are reflected on the Interim Balance Sheet represent or will represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. Unless paid prior to the Closing Date, to the Company s knowledge, the Accounts Receivable are or will be as of the Closing Date current and collectible net of the respective reserves shown on the Balance Sheet or the Interim Balance Sheet or on the accounting records of the Company and each Company Subsidiary as of the Closing Date (which reserves are adequate and calculated consistent with past practice). There is no contest, claim, or right of set-off, other than returns in the Ordinary Course of Business, under any Contract with any obligor of an Accounts Receivable relating to the amount or validity of such Accounts Receivable. Section 2.8(a) of the Company Disclosure Schedule contains a complete and accurate list of all Accounts Receivable as of the date of the Interim Balance Sheet, which list sets forth the aging of such Accounts Receivable.

(b) Except for any reserves, as reflected on Section 2.8(b) of the Company Disclosure Schedule, which apply to Factored Accounts and are reflected on the Financial Statements, all Factored Accounts that are reflected on the Financial Statements represent or will represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. There is no contest, claim, or right of set-off, other than returns in the Ordinary Course of Business, under any Contract with any factor of a Factored Account relating to the workmanship or suitability of the products related to such Factored Account. Section 2.8(b) of the Company Disclosure Schedule contains a complete and accurate list of all Factored Accounts as of the date of the Interim Balance Sheet.

(c) Notwithstanding anything contained in this Section 2.8 to the contrary, in no event shall Company be liable for a breach of the representations and warranties set forth in this Section 2.8 unless and until the damages or losses related thereto exceed the A/R Basket.

2.9 *Inventory*. Except as set forth in Section 2.9 of the Company Disclosure Schedule and adequately reserved on the Interim Balance Sheet and to the Company s knowledge: (a) all inventory of the Company and each Company Subsidiary reflected in the Balance Sheet or the Interim Balance Sheet consists of a quality and quantity usable and salable in the Ordinary Course of Business, except for obsolete items and items of below-standard quality; and (b) the quantities of each item of inventory (whether raw materials, work-in-process, or finished goods) reflected on the Interim Balance Sheet are consistent with the past operating practice of the Business and are reasonable in the present circumstances of the Business. Notwithstanding anything contained in this Section 2.9 to the contrary, in no event shall Company be liable for a breach of the representations and warranties set forth in this Section 2.9 unless and until the damages or losses related thereto exceed the Inventory Basket.

2.10 *No Undisclosed Liabilities*. Except as set forth in Section 2.10 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has any liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) which have arisen or accrued since November 10, 2003 and which are the types of liabilities under GAAP that should be reflected on the Balance Sheet, except for liabilities or obligations reflected or reserved against in the Balance Sheet or the Interim Balance Sheet recorded in accordance with GAAP consistently applied for the period thereof, and current liabilities incurred in the Ordinary Course of Business since the respective dates thereof. Since the date of the Interim Balance Sheet, neither the Company nor any Company Subsidiary has extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of the Company or any Company Subsidiary.

2.11 *Taxes*.

(a) Except as set forth in Section 2.11 of the Company Disclosure Schedule, the Company and each Company Subsidiary has filed or caused to be filed (on a timely basis) Tax Returns that are or were required to be filed by or with respect to any of them since November 10, 2003, either separately or as a member of a group

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of corporations, pursuant to applicable Laws. The Company has delivered to Purchaser copies of, and Section 2.11 of the Company Disclosure Schedule contains a complete and accurate list of, all such Tax Returns relating to income or franchise taxes filed since November 10, 2003. The Company and each Company Subsidiary have paid, or made provision for the payment of, all Taxes that have or may have become due pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by the Company or any Company Subsidiary with respect to the periods covered by such Tax Returns, except such Taxes, if any, as are listed in Section 2.11 of the Company Disclosure Schedule and are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the Balance Sheet and the Interim Balance Sheet.

(b) Section 2.11 of the Company Disclosure Schedule contains a complete and accurate list of all audits of all Tax Returns, including a reasonably detailed description of the nature and outcome of each audit. All deficiencies proposed as a result of such audits have been paid, reserved against, settled, or, as described in Section 2.11 of the Company Disclosure Schedule, are being contested in good faith by appropriate proceedings. Section 2.11 of the Company Disclosure Schedule describes all adjustments to the United States federal income Tax Returns filed by the Company or any Company Subsidiary or any group of corporations including the Company or any Company Subsidiary for Tax Returns covering any taxable periods (a) in the case of the Company, commencing on or after formation and (b) in the case of any Company Subsidiary, commencing since November 10, 2003, and in each case the resulting deficiencies proposed by the IRS. Except as described in Section 2.11 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of the Company or any Company Subsidiary or for which the Company or any Company Subsidiary may be liable.

(c) There exists no proposed tax assessment against the Company or any Company Subsidiary except as disclosed in the Balance Sheet or in Section 2.11 of the Company Disclosure Schedule. No consent to the application of §341(f)(2) of the Code has been filed with respect to any property or assets held, acquired, or to be acquired by the Company or any Company Subsidiary. All Taxes that the Company or any Company Subsidiary is or was required by Law since November 10, 2003 to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Authority or other Person, except as disclosed in the Balance Sheet or in Section 2.11 of the Company Disclosure Schedule.

(d) Except as set forth in Section 2.11 of the Company Disclosure Schedule, there is no (i) material claim for Taxes that is a Lien against the property or assets of the Company or Company Subsidiary or that is being asserted against the Company or Company Subsidiary other than liens for Taxes not yet due and payable; (ii) audit, administrative proceeding or court proceeding with respect to any Taxes or Tax Returns of the Company or Company Subsidiary that is being conducted or is pending and no Governmental Authority responsible for the imposition of any Tax has asserted against the Company or Company Subsidiary any material deficiency or claim for Taxes; or (iii) agreement, contract or arrangement to which the Company or Company Subsidiary are a party that would result in the payment of any amount that would not be deductible by reason of Code §§162(m) or 280G as a result of the transactions contemplated by this Agreement.

(e) No claim or notice has been submitted by a Governmental Authority in a jurisdiction where the Company or Company Subsidiary have not filed Tax Returns that it is or may be subject to taxation by that jurisdiction.

(f) Except with respect to the power of attorney granted to Moss Adams in connection with that certain Form 8300 review by the IRS and certain other standard powers of attorney granted in connection with certain Franchise Tax Board and IRS audits, no power of attorney has been granted by the Company or Company Subsidiary with respect to any matters relating to Taxes that is currently in effect.

(g) Neither the Company nor Company Subsidiary has filed any disclosures under Code §§6662 or 6011 or comparable provisions of state, local or foreign Law to prevent the imposition of penalties with respect to any Tax reporting position taken on any Tax Return.

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(h) The Company has been an S corporation, within the meaning of Code §1361(a)(1) at all times since October 9, 2003 and the Company will be an S corporation up to and including the Closing Date. The Company made a valid election under Code §1361(b)(3) on January 20, 2004 for A and G, Inc. effective November 10, 2003 to be treated as a qualified Subchapter S Subsidiary and A and G, Inc. has remained a qualified Subchapter S Subsidiary at all times since such time and will remain as such up to and including the taxable period ending on the Closing Date. In addition, the Company made a valid election under Code §1361(b)(3) on May 7, 2004 for the Great Pumpkin, Inc. to be treated as a qualified Subchapter S Subsidiary and the Great Pumpkin, Inc. has remained a qualified Subchapter S Subsidiary at all times up to and including the taxable period ending on the Closing Date.

(i) The Company or Company Subsidiary has timely filed or will timely file before Closing, Forms 8023 and 8883 with the IRS as required pursuant to Section 2.6 of the Stock Purchase Agreement.

(j) Except as set forth in Section 2.11 of the Company Disclosure Schedule, all Tax Returns filed by (or that include on a consolidated basis) the Company or any Company Subsidiary with respect to any period beginning on or after October 9, 2003 are true, correct, and complete in all material respects. There is no tax sharing agreement that will require any payment by the Company or any Company Subsidiary after the date of this Agreement and neither the Company or any Company Subsidiary incurred any liability for Taxes of any Person under Treasury Regulation 1.1502-6 (or any similar laws) or as a transferee or successor or by contract except as disclosed on Schedule 2.11 of the Company Disclosure Schedule.

2.12 *No Material Adverse Change*. Except as set forth in Section 2.12 of the Company Disclosure Schedule, since the date of the Balance Sheet, there has not been any material adverse change in the business, operations, properties, prospects, assets, or condition of the Company or any Company Subsidiary, and no event has occurred or circumstance exists that is reasonably likely to result in such a material adverse change.

2.13 *Employee Benefits*.

(a) As used in this Section 2.13, the following terms have the meanings set forth below.

Company Other Benefit Obligation means any Other Benefit Obligation of which the Company or any Company Subsidiary or an ERISA Affiliate is or ever was a Plan Sponsor or otherwise does or ever has adopted, maintained, participates or has participated in, contributes to or has contributed to, or has any liability with respect to.

Company Plan means all Plans of which the Company or any Company Subsidiary or an ERISA Affiliate is or ever was a Plan Sponsor or otherwise does or ever has adopted, maintained, participates or has participated in, contributes to or has contributed to, or has any liability with respect to. All references to Plans are to Company Plans unless the context requires otherwise.

ERISA Affiliate means any Person that, together with the Company or any Company Subsidiary, would be treated as a single employer under Code §414.

Multi-Employer Plan has the meaning given in ERISA §3(37)(A).

Other Benefit Obligations means all obligations, arrangements, or customary practices, whether or not legally enforceable, to provide benefits, other than salary, as compensation for services rendered, to present or former directors, employees, or agents, other than obligations, arrangements, and practices that are Plans. Other Benefit Obligations include consulting agreements under which the compensation paid does not depend upon the amount of service rendered, sabbatical policies, severance payment policies, VEBAs, retiree benefits, and fringe benefits within the meaning of Code §132.

PBGC means the Pension Benefit Guaranty Corporation, or any successor thereto.

Pension Plan has the meaning given in ERISA §3(2)(A).

Plan has the meaning given in ERISA §3(3).

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Plan Sponsor has the meaning given in ERISA §3(16)(B).

Qualified Plan means any Plan that meets or purports to meet the requirements of Code §401(a).

Title IV Plans means all Pension Plans that are subject to Title IV of ERISA, 29 U.S.C. §1301 et seq., other than Multi-Employer Plans.

VEBA means a voluntary employees beneficiary association under Code §501(c)(9).

Welfare Plan has the meaning given in ERISA §3(1).

(b)

(i) Except for the plans disclosed in Section 2.13(i) of the Company Disclosure Schedule, the Company, each Company Subsidiary and any ERISA Affiliates do not have and have not since November 10, 2003 established, maintained, participated in or otherwise contributed to or have any liability with respect to any Plan or Other Benefit Obligation. Section 2.13(i) of the Company Disclosure Schedule contains a complete and accurate list of all Company Plans and Company Other Benefit Obligations, and identifies as such all Plans that are maintained by the Company and any Company Subsidiary and that are (A) defined benefit Pension Plans, (B) Qualified Plans, (C) Title IV Plans, or (D) Multi-Employer Plans.

(ii) Section 2.13(ii) of the Company Disclosure Schedule sets forth the financial cost of all obligations owed under any Company Plan or Company Other Benefit Obligation that is not subject to the disclosure and reporting requirements of ERISA.

(c) The Company has delivered to Purchaser, or will deliver to Purchaser within ten (10) days of the date of this Agreement:

(i) all documents that set forth the terms of each Company Plan, Company Other Benefit Obligation and any related trust, including (A) all plan descriptions and summary plan descriptions of Company Plans for which the Company or any Company Subsidiary are required to prepare, file, and distribute plan descriptions and summary plan descriptions, and (B) all summaries and descriptions furnished to participants and beneficiaries regarding Company Plans, and Company Other Benefit Obligations for which a plan description or summary plan description is not required;

(ii) all personnel, payroll, and employment manuals and policies;

(iii) all collective bargaining agreements pursuant to which contributions have been made or obligations incurred (including both pension and welfare benefits) by the Company or any Company Subsidiary and any ERISA Affiliates, and all collective bargaining agreements pursuant to which contributions are being made or obligations are owed by such entities;

(iv) a written description of any Company Plan or Company Other Benefit Obligation that is not otherwise in writing;

(v) all registration statements filed with respect to any Company Plan since November 10, 2003;

(vi) all insurance policies purchased by or to provide benefits under any Company Plan;

(vii) all contracts with third party administrators, actuaries, investment managers, consultants, and other independent contractors that relate to any Company Plan, or Company Other Benefit Obligation;

(viii) all reports submitted since November 10, 2003 by third party administrators, actuaries, investment managers, consultants, or other independent contractors with respect to any Company Plan or Company Other Benefit Obligation;

(ix) the Form 5500 filed since November 10, 2003 with respect to each Company Plan, including all schedules thereto and the opinions of independent accountants;

(x) all notices that were given by the Company, any Company Subsidiary or any ERISA Affiliate or any Company Plan to the IRS, the Department of Labor, any other governmental agency, or any participant

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or beneficiary, pursuant to statute, since November 10, 2003, including notices that are expressly mentioned elsewhere in this Section 2.13;

(xi) all notices that were given by the IRS, the Department of Labor or any other government agency relating to any Plan to the Company, any Company Subsidiary, any ERISA Affiliate, or any Company Plan since November 10, 2003; and

(xii) with respect to Qualified Plans, the most recent determination letter for each Plan of the Company or any Company Subsidiary that is a Qualified Plan.

(d) Except as set forth in Section 2.13(iii) of the Company Disclosure Schedule:

(i) The Company and each Company Subsidiary have performed all of their respective obligations under all Company Plans and Company Other Benefit Obligations since November 10, 2003. Since November 10, 2003, the Company and each Company Subsidiary have made appropriate entries in their financial records and statements for all obligations and liabilities under such Plans and Obligations that have accrued but are not due.

(ii) Since November 10, 2003, no statement, either written or oral, has been made by the Company or any Company Subsidiary to any Person with regard to any Plan or Other Benefit Obligation that was not in accordance with the Plan or Other Benefit Obligation and that could have an adverse economic consequence to the Company or any Company Subsidiary or to Purchaser.

(iii) The Company and each Company Subsidiary, with respect to all Company Plans, and Company Other Benefits Obligations, are, and each Company Plan, and Company Other Benefit Obligation, is, in full compliance with ERISA, the Code, and other applicable Laws including the provisions of such Laws expressly mentioned in this Section 2.13, and with any applicable collective bargaining agreement.

(A) No transaction prohibited by ERISA §406 and no prohibited transaction under Code §4975(c) have occurred with respect to any Company Plan or Company Other Benefit Obligation since November 10, 2003.

(B) Neither Company, any Company Subsidiary or ERISA Affiliate has any liability to the IRS with respect to any Plan, including any liability imposed by Chapter 43 of the Code.

(C) Since November 10, 2003, all filings required by ERISA and the Code as to each Plan have been timely filed, and all notices and disclosures to participants required by either ERISA or the Code have been timely provided.

(D) All contributions and payments made or accrued since November 10, 2003 with respect to all Company Plans, and Company Other Benefit Obligations are deductible under Code §162 or §404. No amount, or any asset of any Company Plan or Company Other Benefit Obligation, is subject to tax as unrelated business taxable income.

(iv) Each Company Plan or Company Other Benefit Obligation can be amended or modified at any time and each Company Plan or Company Other Benefit Obligation can be terminated within thirty (30) days, without payment of any additional contribution or amount and without the vesting or acceleration of any benefits promised by such Plan.

(v) Since November 10, 2003, there has been no establishment or amendment of any Company Plan or Company Other Benefit Obligation.

(vi) Since November 10, 2003, no event has occurred or circumstance exists that could result in a material increase in premium costs of Company Plans and Company Other Benefit Obligations that are insured, or a material increase in benefit costs of such Plans and Obligations that are self-insured.

(vii) Other than claims for benefits submitted by participants or beneficiaries, no claim against, audits or legal proceeding involving, any Company Plan, or Company Other Benefit Obligation is pending or, to the Company s knowledge, is Threatened.

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(viii) Each Qualified Plan of the Company, each Company Subsidiary and ERISA Affiliate is qualified in form and operation under Code §401(a); each trust for each such Plan is exempt from federal income tax under Code §501(a). Since November 10, 2003, no event has occurred or circumstance exists that will or could give rise to disqualification or loss of tax-exempt status of any such Plan or trust.

(ix) None of the Company, any Company Subsidiary or ERISA Affiliate has knowledge of any facts or circumstances that is reasonably likely to give rise to any liability of the Company, any Company Subsidiary, ERISA Affiliate or Purchaser to the PBGC under Title IV of ERISA.

(x) Neither Company, nor any Company Subsidiary or any ERISA Affiliate has ever established, maintained, or contributed to or otherwise participated in, or had an obligation to maintain, contribute to, or otherwise participate in, any Title IV Plan or any Multi-Employer Plan.

(xi) Except to the extent required under ERISA §601 et seq. and Code §4980B, none of Company, any Company Subsidiary or ERISA Affiliate provides health or welfare benefits for any retired or former employee or is obligated to provide health or welfare benefits to any active employee following such employee s retirement or other termination of service.

(xii) The Company, all Company Subsidiaries and ERISA Affiliates have complied with the provisions of ERISA §601 et seq. and Code §4980B.

(xiii) No payment that is owed or may become due to any director, officer, employee, or agent of the Company or any Company Subsidiary will be non-deductible to the Company or any Company Subsidiary or subject to tax under Code §280G or §4999; nor will the Company or any Company Subsidiary be required to gross up or otherwise compensate any such person because of the imposition of any excise tax on a payment to such person.

(xiv) The consummation of the Merger will not result in the payment, vesting, or acceleration of any benefit.

(e) Except for the plans disclosed in Section 2.13(e) of the Company Disclosure Schedule (the Mexican Employee Plans), the Mexican Companies do not maintain or otherwise contribute to, or have any liability with respect to, any employee benefit plan, which covers or covered any employee of any of the Mexican Companies or any employee of any trade or business in Mexico. Except for the plans disclosed in Section 2.13(e) of the Company Disclosure Schedule, with respect to each Mexican Employee Plan, the Company has previously furnished to Purchaser true, complete and correct copies of: (i) the plan documents; (ii) the summary plan descriptions; (iii) any applicable trust agreement or insurance contract(s); (iv) the three (3) most recent actuarial valuations, if applicable; (v) the latest financial statements; (vi) the three (3) most recent applicable Tax forms and returns, together with all schedules, exhibits and attachments; and (vii) all documents not otherwise described above in this Section which have been filed with any tax or labor entity or authority over the last five (5) years.

(f) Except for the plans disclosed in Section 2.13(f) of the Company Disclosure Schedule, the Mexican Companies are in compliance in all material respects with all labor, Mexican-Social Security (IMSS) or Federal Housing Fund (INFONAVIT) laws, all other tax laws and all applicable regulations currently in effect regarding the same and with all agreements and instruments applicable to any Mexican Employee Plan. The Mexican Companies have made all contributions or paid all amounts due and owing as required by the terms of any Mexican Employee Plan or any benefit or other arrangement, and the Mexican Companies have made all salary deferral contributions elected by its employees and

made all employer contributions accrued under any applicable Mexican Employee Plan, Mexican Social Security law, Federal Housing Law and all other mandatory programs attributable to compensation paid or payable by the Mexican Companies to their employees or to participants in that Mexican Employee Plan within the time period provided by applicable law.

(g) Except for the plans disclosed in Section 2.13(g) of the Company Disclosure Schedule, there have been no amendments to any Mexican Employee Plan which would materially increase the total present value of vested and nonvested benefits thereunder since the most recent valuation date or accounting date of such Mexican Employee Plan.

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(h) Neither the Mexican Companies, the Company nor any other person or entity have done any act or have failed to do any act or thing with respect to any of the Mexican Employee Plans which act or failure to act is in violation of any labor or tax laws, or any other law, statute, order, governmental rule or regulation, and which has given rise, or in the future would give rise, to any obligation on the Company, Merger Sub or Purchaser or result in any liability to Company, Merger Sub or Purchaser or the Mexican Companies.

(i) Except as required by law, each Mexican Employee Plan may be amended or terminated at any time and in any manner without liability to the Mexican Companies, Purchaser or Company and participants and beneficiaries have been notified of any such amendment and termination which has occurred prior to the date hereof

2.14 *Compliance With Laws; Governmental Authorizations*.

(a) Except as set forth in Section 2.14 of the Company Disclosure Schedule:

(i) the Company and each Company Subsidiary is, and at all times since November 10, 2003 has been, in material compliance with each Law (including, but not limited to, the Foreign Corrupt Practices Act, as amended) that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets;

(ii) no event has occurred since November 10, 2003 or circumstance exists that (with or without notice or lapse of time) (A) is reasonably likely to constitute or result in a violation by the Company or any Company Subsidiary of, or a failure on the part of the Company or any Company Subsidiary to be in material compliance with, any Law, or (B) is reasonably likely to give rise to any obligation on the part of the Company or any Company Subsidiary to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) none of the Company nor any Company Subsidiary has received, at any time since November 10, 2003, any notice or other communication (whether oral or written) from any Governmental Authority or any other Person regarding (A) any actual, alleged, possible, or potential violation of, or failure to be in material compliance with, any Law, or (B) any actual, alleged, possible, or potential obligation on the part of the Company or any Company Subsidiary to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Section 2.14 of the Company Disclosure Schedule contains a complete and accurate list of each Governmental Authorization that is held by the Company and any Company Subsidiary or that otherwise relates to the business of, or to any of the assets owned or used by, the Company and any Company Subsidiary. Each Governmental Authorization listed or required to be listed in Section 2.14 of the Company Disclosure Schedule is valid and in full force and effect. Except as set forth in Section 2.14 of the Company Disclosure Schedule:

(i) the Company and each Company Subsidiary is, and at all times since November 10, 2003 has been, in material compliance with all of the terms and requirements of each Governmental Authorization identified or required to be identified in Section 2.14 of the Company Disclosure Schedule;

(ii) no event has occurred since November 10, 2003, or circumstance exists, that is reasonably likely to (with or without notice or lapse of time) (A) constitute or result directly or indirectly in a violation of or a failure to be in material compliance with any term or requirement of any Governmental Authorization listed or required to be listed in Section 2.14 of the Company Disclosure Schedule, or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, any Governmental Authorization listed or required to be listed in Section 2.14 of the Company Disclosure Schedule;

(iii) none of the Company or any Company Subsidiary has received, at any time since November 10, 2003, any notice or other communication (whether oral or written) from any Governmental Authority or any other Person regarding (A) any actual, alleged, possible, or potential violation of or failure to be in material compliance with any term or requirement of any Governmental Authorization, or (B) any actual, proposed,

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possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization; and

(iv) all applications required to have been filed for the renewal of the Governmental Authorizations listed or required to be listed in Section 2.14 of the Company Disclosure Schedule have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

The Governmental Authorizations listed in Section 2.14 of the Company Disclosure Schedule collectively constitute all of the Governmental Authorizations necessary to permit the Company and each Company Subsidiary to lawfully conduct and operate their businesses in the manner they currently conduct and operate such businesses and to permit the Company and each Company Subsidiary to own and use their assets in the manner in which they currently own and use such assets.

2.15 *Legal Proceedings; Orders.*

(a) Except as set forth in Section 2.15 of the Company Disclosure Schedule, there is no pending Proceeding:

(i) that has been commenced by or against the Company or any Company Subsidiary or that otherwise relates to or is reasonably likely to affect the business of, or any of the assets owned or used by, the Company or any Company Subsidiary and which would have a material adverse effect on any Company Subsidiary or its assets; or

(ii) that challenges, or that is reasonably likely to have the effect of preventing, delaying, making illegal, or otherwise interfering with, the Merger.

To the knowledge of Company, since November 10, 2003, (1) no such Proceeding has been Threatened, and (2) no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Proceeding. The Company has delivered to Purchaser copies of all pleadings, correspondence, and other documents relating to each Proceeding listed in Section 2.15 of the Company Disclosure Schedule. The Proceedings listed in Section 2.15 of the Company Disclosure Schedule that have arisen since November 10, 2003 will not have a material adverse effect on the business, operations, assets, condition or prospects of the Company or any Company Subsidiary.

(b) Except as set forth in Section 2.15 of the Company Disclosure Schedule:

(i) there is no Order to which the Company or any Company Subsidiary, or any of the assets owned or used by the Company or any Company Subsidiary, is subject and which Order would have a material adverse effect on the Company or any Company Subsidiary or its assets; and

(ii) to the knowledge of the Company, no officer, director, agent or employee of the Company or any Company Subsidiary is subject to any Order that prohibits such officer, director, agent or employee from engaging in or continuing any conduct, activity or practice relating to the business of the Company or any Company Subsidiary.

(c) Except as set forth in Section 2.15 of the Company Disclosure Schedule:

(i) The Company and each Company Subsidiary is, and at all times since November 10, 2003 has been, in material compliance with all of the terms and requirements of each Order to which it, or any of the assets owned or used by it, is or has been subject;

(ii) no event has occurred or circumstance exists that is reasonably likely to constitute or result in (with or without notice or lapse of time) a material violation of or failure to be in material compliance with any term or requirement of any Order to which the Company or any Company Subsidiary, or any of the assets owned or used by the Company or any Company Subsidiary, is subject; and

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(iii) none of the Company or any Company Subsidiary has received, at any time since November 10, 2003, any notice or other communication (whether oral or written) from any Governmental Authority or any other Person regarding any actual, alleged, possible, or potential violation of, or failure to comply with, any term or requirement of any Order to which the Company or any Company Subsidiary, or any of the assets owned or used by the Company or any Company Subsidiary, is or has been subject and which violation or failure would have a material adverse effect on the Company or any Company Subsidiary or its assets.

2.16 *Absence of Certain Changes And Events*. Except as set forth in Section 2.16 of the Company Disclosure Schedule, since the date of the Interim Balance Sheet, the Company and each Company Subsidiary has conducted their businesses only in the Ordinary Course of Business and there has not been any:

(a) change in any Company or any Company Subsidiary s authorized or issued capital stock or equity interests; grant of any stock option or right to purchase shares of capital stock of the Company or any Company Subsidiary; issuance of any security convertible into such capital stock; grant of any registration rights; purchase, redemption, retirement or other acquisition by the Company or any Company Subsidiary of any shares of any such capital stock or equity interests; or declaration or payment of any dividend or other distribution or payment in respect of shares of capital stock or equity interests;

(b) amendment to the Organizational Documents of the Company or any Company Subsidiary;

(c) payment or increase by the Company or any Company Subsidiary of any bonuses, salaries, dividends or other compensation to any stockholder, director, officer or (except in the Ordinary Course of Business) employee or entry into any employment, severance or similar Contract with any director, officer or employee;

(d) adoption of, or increase in the payments to or benefits under, any profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, or other employee benefit plan for or with any employees of the Company or any Company Subsidiary;

(e) damage to or destruction or loss of any asset or property of the Company or any Company Subsidiary, whether or not covered by insurance, materially and adversely affecting the properties, assets, business, financial condition, or prospects of the Company or any Company Subsidiary, taken as a whole;

(f) entry into, termination of, or receipt of notice of termination of (i) any license, distributorship, dealer, sales representative, joint venture, credit, or similar agreement, or (ii) any Contract or transaction involving a total remaining commitment by or to the Company or any Company Subsidiary of at least $50,000;

(g) sale (other than sales of inventory in the Ordinary Course of Business), lease, or other disposition of any asset or property of the Company or any Company Subsidiary or mortgage, pledge, or imposition of any lien or other encumbrance on any material asset or property of the Company or any Company Subsidiary, including the sale, lease, or other disposition of any of the Intellectual Property Assets;

(h) cancellation or waiver of any claims or rights with a value to the Company or any Company Subsidiary in excess of $50,000;

(i) material change in the accounting methods used by the Company or any Company Subsidiary; or

(j) agreement, whether oral or written, by the Company or any Company Subsidiary to do any of the foregoing.

2.17 *Contracts; No Defaults*.

(a) Section 2.17(a) of the Company Disclosure Schedule contains a complete and accurate list, and Company has delivered to Purchaser true and complete copies, of:

(i) each Applicable Contract that involves performance of services or delivery of goods or materials by the Company or one or more Company Subsidiary of an amount or value in excess of $50,000 or with a

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remaining term of more than twelve (12) months, other than Company Applicable Contracts entered into in the Ordinary Course of Business;

(ii) each Applicable Contract that involves performance of services or delivery of goods or materials to the Company or one or more Company Subsidiary of an amount or value in excess of $50,000 or with a remaining term of more than twelve (12) months, other than Company Applicable Contracts entered into in the Ordinary Course of Business;

(iii) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Applicable Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $50,000 and with terms of less than one year);

(iv) each licensing agreement or other Applicable Contract with respect to patents, trademarks, copyrights or other intellectual property, including agreements with current or former employees, consultants or contractors regarding the appropriation or the non-disclosure of any of the Intellectual Property Assets;

(v) each collective bargaining agreement and other Applicable Contract to or with any labor union or other employee representative of a group of employees;

(vi) each joint venture, partnership, and other Applicable Contract (however named) involving a sharing of profits, losses, costs or liabilities by the Company or any Company Subsidiary with any other Person;

(vii) each Applicable Contract containing covenants that in any way purport to restrict the business activity of the Company and any Company Subsidiary or any Affiliate of the Company or any Company Subsidiary or limit the freedom of the Company or any Company Subsidiary or any Affiliate of the Company or any Company Subsidiary to engage in any line of business or to compete with any Person;

(viii) each Applicable Contract providing for payments to or by any Person based on sales, purchases or profits, other than direct payments for goods;

(ix) each power of attorney that is currently effective and outstanding;

(x) each Applicable Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by the Company or any Company Subsidiary to be responsible for consequential damages;

(xi) each Applicable Contract for capital expenditures in excess of $50,000 or with a remaining term of more than twelve (12) months, other than Company Applicable Contracts entered into in the Ordinary Course of Business;

(xii) each written warranty, guaranty, and or other similar undertaking with respect to contractual performance extended by the Company and any Company Subsidiary other than in the Ordinary Course of Business; and

(xiii) each amendment, supplement, and modification (whether oral or written) in respect of any of the foregoing.

Section 2.17(a) of the Company Disclosure Schedule sets forth reasonably complete details concerning such Contracts, including the parties to the Contracts, the amount of the remaining commitment of the Company and/or Company Subsidiary under the Contracts, and the Company or Company Subsidiary s office where details relating to the Contracts are located.

(b) Except as set forth in Section 2.17(b) of the Company Disclosure Schedule, to the knowledge of Company, no officer, director, agent, employee, consultant or contractor of the Company or any Company Subsidiary is bound by any Contract that purports to limit the ability of such officer, director, agent, employee,

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consultant or contractor to (i) engage in or continue any conduct, activity or practice relating to the business of the Company or any Company Subsidiary, or (ii) assign to the Company or any Company Subsidiary or to any other Person any rights to any invention, improvement or discovery.

(c) Except as set forth in Section 2.17(c) of the Company Disclosure Schedule, each Contract identified or required to be identified in Section 2.17(a) of the Company Disclosure Schedule is in full force and effect and is valid and enforceable in accordance with its terms.

(d) Except as set forth in Section 2.17(d) of the Company Disclosure Schedule and to the knowledge of Company:

(i) The Company and each Company Subsidiary is, and at all times since November 10, 2003, has been, in material compliance with all applicable terms and requirements of each Contract under which the Company or such Company Subsidiary has or had any obligation or liability or by which the Company or such Company Subsidiary or any of the assets owned or used by the Company or such Company Subsidiary is or was bound;

(ii) each other Person that has or had any obligation or liability under any Contract under which the Company or any Company Subsidiary has or had any rights is, and at all times since November 10, 2003, has been, in material compliance with all applicable terms and requirements of such Contract;

(iii) no event has occurred or circumstance exists that (with or without notice or lapse of time) is reasonably likely to contravene, conflict with, or result in a violation or breach of, or give the Company or any Company Subsidiary or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; and

(iv) none of the Company or any Company Subsidiary has given to or received from any other Person, at any time since November 10, 2003, any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or breach of, or default under, any Contract and which violation or breach would have a material adverse effect on the Company or any Company Subsidiary or its assets.

(e) There are no renegotiations of, attempts to renegotiate, or outstanding rights to renegotiate any material amounts paid or payable to the Company or any Company Subsidiary under current or completed Contracts with any Person and, to the knowledge of Company, no such Person has made written demand for such renegotiation.

(f) The Contracts relating to the sale, design, manufacture, or provision of products or services by the Company and each Company Subsidiary have been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in violation of any Law.

2.18 *Insurance*.

(a) The Company has delivered to Purchaser:

(i) true and complete copies of all policies of insurance to which the Company and any Company Subsidiary is a party or under which the Company or any Company Subsidiary, or any director of the Company or any Company Subsidiary, is or has been covered at any time since November 10, 2003; and

(ii) any statement by the auditor of the Company or any Company Subsidiary s financial statements with regard to the adequacy of such entity s coverage or of the reserves for claims.

(b) Section 2.18(b) of the Company Disclosure Schedule describes any self-insurance arrangement by or affecting the Company or any Company Subsidiary, including any reserves established thereunder.

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(c) Section 2.18(c) of the Company Disclosure Schedule sets forth, by year, for the current policy year and any preceding policy years commencing on or after November 10, 2003:

(i) a summary of the loss experience under each policy for individual claims in excess of $100,000;

(ii) a statement describing each claim under an insurance policy for an amount in excess of $100,000, which sets forth:

(A) the name of the claimant;

(B) a description of the policy by insurer, type of insurance, and period of coverage;

(C) the amount and a brief description of the claim; and

(D) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Section 2.18(d) of the Company Disclosure Schedule:

(i) None of the Company or any Company Subsidiary has received (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or will not be renewed or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(ii) The Company and each Company Subsidiary has paid all premiums due, and have otherwise performed all of their respective obligations, under each policy to which the Company and any Company Subsidiary is a party or that provides coverage to the Company and any Company Subsidiary or director thereof.

(iii) The Company and each Company Subsidiary have given notice to the insurer of all claims arising since November 10, 2003 that may be insured thereby.

2.19 *Environmental Matters*. Except as set forth in Section 2.19 of the Company Disclosure Schedule:

(a) The Company and each Company Subsidiary is, and at all times since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003) has been, in full compliance with, and has not been and is not in violation of or liable under, any Environmental Law. Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), none of the Company or any Company Subsidiary has any basis to expect, nor has any of them or any other Person for whose conduct they are or is reasonably likely to be held to be responsible received, any actual or Threatened order, notice, or other communication from (i) any Governmental Authority or private citizen, or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or Threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which the Company or any Company Subsidiary has had an interest since November 10, 2003 (or to the knowledge of the Company with respect to Facilities or other properties or assets in which the Company or any Company Subsidiary had an interest in the period from June 30, 2001 to November 9, 2003), or, since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by the Company, any Company Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, released or received since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003).

(b) Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), there are no pending or, to the knowledge of Company, Threatened claims, Encumbrances or

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other restrictions of any nature, resulting from any Environmental, Health, and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting any of the Facilities or any other properties and assets (whether real, personal or mixed) in which the Company or any Company Subsidiary has or had an interest.

(c) Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), none of the Company or any Company Subsidiary has had any basis to expect, nor has any of them or any other Person for whose conduct they are or is reasonably likely to be held responsible, received, any citation, directive, inquiry, notice, Order, summons, warning or other communication that relates to Hazardous Activity, Hazardous Materials or any alleged, actual or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which Company or any Company Subsidiary has or since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003) had an interest or is or was otherwise responsible, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by the Company, any Company Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled, released or received since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003).

(d) Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), none of the Company or any Company Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, has or is reasonably likely to have incurred any Environmental, Health, and Safety Liabilities arising out of or relating to: (i) the Facilities or any other property (whether real, personal, or mixed) in which the Company or any Company Subsidiary (or any predecessors) has, or since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003) had, any interest or is or was responsible, (ii) any property geologically any property geographically or hydrologically adjoining the Facilities; (iii) any Hazardous Activities of the Company or any Company Subsidiary conducted between November 10, 2003 and the Closing Date (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003); or (iv) any operations of the Company or any Company Subsidiary conducted between November 10, 2003 and the Closing Date (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), including without limitation activities or operations of the Company or any Company Subsidiary relating to any off-site transportation, treatment, disposal, or Release of Hazardous Material, or any arrangement for the transportation, treatment or disposal of any Hazardous Material at any other facility or property.

(e) Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), there have been no Hazardous Materials present on or in the Environment at the Facilities or at any geologically or hydrologically adjoining property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Facilities or such adjoining property, or incorporated into any structure therein or thereon. None of the Company or any Company Subsidiary, any other Person for whose conduct they are or is reasonably likely to be held responsible, or to the knowledge of Company, any other Person, has, since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to the Facilities or any other properties or assets (whether real, personal, or mixed) in which the Company or any Company Subsidiary has or since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003) had an interest or is otherwise responsible, except in full compliance with all applicable Environmental Laws.

(f) Since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003), there has been no Release or, to the knowledge of Company, Threat of Release, of any

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Hazardous Materials at or from the Facilities or at any other locations where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by the Facilities, or from or by any other properties and assets (whether real, personal, or mixed) in which the Company or any Company Subsidiary has or since November 10, 2003 (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003) has had an interest or is otherwise responsible, or to the knowledge of Company any geologically or hydrologically adjoining property, whether by the Company, any Company Subsidiary, or any other Person.

(g) Section 2.19 of the Company Disclosure Schedule contains a complete list of all Governmental Authorizations required for the Company s or any Company Subsidiary s operations under the Environmental Laws of the United States and any state in the United States where the Company or any Company Subsidiary does business from the period from November 10, 2003 through the Closing Date (and to the knowledge of the Company for the period from June 30, 2001 to November 9, 2003). These Governmental Authorizations are in full force and effect, and none of the Company or any Company Subsidiary are in violation of the terms of any of these Governmental Authorizations. None of these Governmental Authorizations would be violated by the Merger, and no action or consent by any Governmental Authority is required as a result of the Merger in order to maintain such Governmental Authorizations in full force and effect.

(h) The Company has delivered to Purchaser true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by the Company since November 10, 2003 or any Company Subsidiary pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance by the Company, any Company Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, with Environmental Laws.

(i) Notwithstanding anything contained in this Section 2.19 to the contrary, for purposes of this Section 2.19 only, for anytime prior to November 10, 2003 knowledge shall mean the actual knowledge of Roger Brown and shall not include any knowledge or facts constructively known or imputed to him.

2.20 *Employees*.

(a) Section 2.20 of the Company Disclosure Schedule contains a complete and accurate list of the following information for each employee, officer or director of Company or any Company Subsidiary with aggregate compensation in excess of $70,000 per year, including each employee on leave of absence or layoff status: employer; name; years of service; job title; current compensation paid or payable and any change in compensation since December 31, 2003.

(b) No employee or director of the Company or any Company Subsidiary is a party to, or is otherwise bound by, any agreement or arrangement, including any confidentiality, noncompetition, or proprietary rights agreement, between such employee or director and any other Person (Proprietary Rights Agreement) that in any way adversely affects or will affect (i) the performance of his duties as an employee or director of the Company or any Company Subsidiary, or (ii) the ability of the Company or any Company Subsidiary to conduct its business, including any Proprietary Rights Agreement with the Company or the Company Subsidiary by any such employee or director. To the Company s knowledge, no director, officer, or other key employee of the Company or any Company Subsidiary intends to terminate his or her employment with the Company or such Company Subsidiary.

(c) Section 2.20 of the Company Disclosure Schedule also contains a complete and accurate list of the following information for each employee or director of the Company and each Company Subsidiary that has retired since the Interim Balance Sheet, or their dependents, receiving

benefits or scheduled to receive benefits in the future: name, pension benefit, pension option election, retiree medical insurance coverage, retiree life insurance coverage, and other benefits.

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2.21 *Labor Relations; Compliance*.

(a) Except as set forth in Section 2.21(a) of the Company Disclosure Schedule, since November 10, 2003, none of the Company nor any Company Subsidiary has been or is a party to any collective bargaining or other labor Contract. Except as set forth in Section 2.21(a) of the Company Disclosure Schedule, since November 10, 2003, there has not been, there is not presently pending or existing, and there is not Threatened, (a) any strike, slowdown, picketing, work stoppage, or employee grievance process, (b) any Proceeding against or affecting the Company or any Company Subsidiary relating to the alleged violation of any Law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any comparable Governmental Authority, organizational activity, or other labor or employment dispute against or affecting any of the Company Subsidiary or their premises, or (c) any application for certification of a collective bargaining agent. Since November 10, 2003, no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute. There is no lockout of any employees by the Company or any Company Subsidiary, and no such action is contemplated by the Company or any Company Subsidiary. The Company and each Company Subsidiary has complied in all respects with all Laws relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, occupational safety and health, and plant closing. None of the Company or any Company Subsidiary is liable for the payment of any compensation, damages, taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Laws.

(b) Section 2.21(b) of the Company Disclosure Schedule discloses the manner in which the Company provides coverage for workers compensation claims. The Company has at all times during the past three (3) years provided workers compensation insurance for all of its employees and/or was permissibly self-insured under California law. Except as set forth on Section 2.21(b) of the Company Disclosure Schedule, to the Company s knowledge, it does not have any liability for unpaid workers compensation premiums, benefits or claims. To the Company s knowledge, it does not have any liability for any workers compensation penalties or non-insured benefits or claims.

2.22 *Intellectual Property*.

(a) *Intellectual Property Assets* The term Intellectual Property Assets includes:

(i) the names identified on Section 2.22(a)(i) of the Company Disclosure Schedule, including Alstyle , all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications (collectively, Marks);

(ii) all patents, patent applications, and inventions and discoveries that may be patentable (collectively, Patents);

(iii) all copyrights in both published works and unpublished works (collectively, Copyrights);

(iv) all rights in mask works (collectively, Rights in Mask Works);

(v) all trade secrets, technical information and process technology including without limitation matters identified as trade secrets on Section 2.22(a)(v) of the Company Disclosure Schedule, (collectively, Trade Secrets); owned, used, or licensed by the Company or any Company Subsidiary as licensee or licensor; and

(vi) all Internet domain names, including *www.alstyle-apparel.com*.

(b) *Agreements* Section 2.22(b) of the Company Disclosure Schedule contains a complete and accurate list and summary description, including any royalties paid or received by the Company or any Company Subsidiary, of all Contracts relating to the Intellectual Property Assets to which the Company or any Company Subsidiary is a party or by which the Company or any Company Subsidiary is bound, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available software programs with a value of less than $50,000 under which the Company or any Company Subsidiary is the licensee. There are no outstanding and, to the Company s knowledge, no Threatened disputes or disagreements with respect to any such agreement.

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(c) *Know-How Necessary for the Business*

(i) The Intellectual Property Assets are all those necessary for the operation of the Company s and the Company s businesses as they are currently conducted. One or more of the Company or the Company Subsidiary is the owner of all right, title, and interest in and to each of the Intellectual Property Assets, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims, and has the right to use without payment to a third party all of the Intellectual Property Assets.

(ii) Except as set forth in Section 2.22(c) of the Company Disclosure Schedule, all current and, former since November 10, 2003, employees of Company and each Company Subsidiary have executed written Contracts with one or more of the Company or a Company Subsidiary that assign to one or more of the Company or a Company Subsidiary all rights to any inventions, improvements, discoveries, or information relating to the business of the Company or any Company Subsidiary. No employee of the Company or any Company Subsidiary has entered into any Contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than one or more of the Company or Company Subsidiary.

(d) *Patents* None of the Company or any Company Subsidiary own any Patents.

(e) *Trademarks*

(i) Section 2.22(e) of Company Disclosure Schedule contains a complete and accurate list and summary description of all Marks. One or more of the Company or a Company Subsidiary is the owner of all right, title, and interest in and to each of the Marks, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims.

(ii) All Marks that have been registered with the United States Patent and Trademark Office are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety (90) days after the Closing Date.

(iii) No Mark has been since November 10, 2003, or is now involved in any opposition, invalidation, or cancellation and, to the Company s knowledge, no such action is Threatened with the respect to any of the Marks.

(iv) To the Company s knowledge, there is no potentially interfering trademark or trademark application of any third party.

(v) No Mark is infringed or, to the Company s knowledge, has been challenged or threatened in any way. None of the Marks used by the Company or any Company Subsidiary infringes or is alleged to infringe any trade name, trademark, or service mark of any third party.

(vi) All products and materials containing a Mark bear the proper federal registration notice where permitted by law.

(f) *Copyrights* None of the Company or any Company Subsidiary own any Copyrights.

(g) *Trade Secrets*

(i) With respect to each Trade Secret, the documentation relating to such Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual.

(ii) Since November 10, 2003, the Company and each Company Subsidiary have taken all reasonable precautions to protect the secrecy, confidentiality, and value of their Trade Secrets.

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(iii) One or more of the Company or a Company Subsidiary has good title and an absolute (but not necessarily exclusive) right to use the Trade Secrets. The Trade Secrets are not part of the public knowledge or literature, and, to the Company s knowledge, since November 10, 2003 have not been used, divulged, or appropriated either for the benefit of any Person (other than one or more of the Company Subsidiary) or to the detriment of the Company or any Company Subsidiary. No Trade Secret is subject to any adverse claim or, since November 10, 2003, has been challenged or threatened in any way.

(h) *Software*. The Company and each Company Subsidiary own or are licensed to use all computer software (including data bases and related documentation) (Software) which is material to the conduct of the business and the operation of the property. All Software used by the Company and each Company Subsidiary which is not commercial software available off the shelf either directly from the licensor or from third party retailers and which does not require extensive customization for use is identified on Section 2.22(h) of the Company Disclosure Schedule.

2.23 *Certain Payments*. Since November 10, 2003, none of Company or any Company Subsidiary or director, officer, agent, or employee of Company or any Company Subsidiary, or to the Company s knowledge any other Person associated with or acting for or on behalf of the Company or any Company Subsidiary, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company or any Company Subsidiary or any Affiliate of the Company or any Company Subsidiary, or (iv) in violation of any Law, (b) established or maintained any fund or asset that has not been recorded in the books and records of the Company or any Company Subsidiary.

2.24 *Disclosure*.

(a) No representation or warranty of Company in this Agreement and no statement in the Company Disclosure Schedule contains an untrue statement of material fact or omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(b) No notice given pursuant to Section 4.2 will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

(c) There is no fact known to Company that has specific application to either Company or any Company Subsidiary (other than general economic or industry conditions) and that materially adversely affects the assets, business, prospects, financial condition, or results of operations of the Company or any Company Subsidiary (on a consolidated basis) that has not been set forth in this Agreement or the Company Disclosure Schedule. Notwithstanding the foregoing, none of Company representations and warranties apply to knowledge of projections, trends, or general economic conditions related to the textile industry.

2.25 *Relationships With Related Persons*. None of Company, any Related Person of Company or of any Company Subsidiary has, or since the first day of the next to last completed fiscal year of the Company Subsidiary has had, any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Company Subsidiary businesses. None of Company, any Related Person of Company or of any Company Subsidiary is, or since November 10, 2003 has owned (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has (i) had business dealings or a material financial interest in any transaction with the

Company or any Company Subsidiary, or (ii) engaged in competition with the Company or any Company Subsidiary with respect to any line of the products or services of the Company or any such Company Subsidiary in any market presently served by the Company or any such Company Subsidiary. Except as set forth in Section 2.25 of the Company Disclosure Schedule, none of Company, any Related Person of Company or of any Company Subsidiary is a party to any Contract with, or has any claim or right against, the Company or any Company Subsidiary.

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2.26 *Finders and Investment Bankers*. None of the Company, any Company Subsidiary or any of their respective officers or directors has employed any broker or finder or otherwise incurred any liability for any brokerage fees, commissions or finders fees in connection with the transactions contemplated hereby.

2.27 *Guarantees*. It is Company s best estimate and belief that, except as disclosed in Section 2.27 of the Company Disclosure Schedule, none of the Company nor any Company Subsidiary is a guarantor or indemnitor or otherwise liable for or in respect of any indebtedness of any third Person or entity except as an endorser of checks received by it and deposited in the Ordinary Course of Business.

2.28 *Patriot Act*. Except as set forth on Section 2.28 of the Company Disclosure Schedule, the Company hereby represents and warrants that the Company and each Company Subsidiary are compliant with all applicable anti-money laundering laws, including, without limitation, the USA Patriot Act, and the laws administered by the United States Treasury Department s Office of Foreign Assets Control, including, without limitation, Executive Order 13224. The Company further represents and warrants that, except as set forth on Section 2.28 of the Company Disclosure Schedule, none of the Company or any Company Subsidiary conduct business with any person or entity on the SDN List published by the United States Treasury Department s Office of Foreign Assets Control.

2.29 *Governmental Approvals*. No Consent by any Governmental Authority on the part of the Company or any of the Company Subsidiaries is required in connection with the execution or delivery by the Company of this Agreement or the consummation by the Company of the transactions contemplated hereby other than (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL, (ii) filings with the SEC, state securities laws administrators and the NYSE, (iii) filings under the HSR Act, (iv) such filings as may be required in any jurisdiction where the Company is qualified or authorized to do business as a foreign corporation in order to maintain such qualification or authorization, (v) those Consents required under any foreign Law, and (vi) those Consents that, if they were not obtained or made, would not be reasonably likely to have a Company Material Adverse Effect. For the purposes of this Agreement, any reference to a state of facts, event, change or effect having a Company Material Adverse Effect means any such state of facts, event, change or effect that (a) has had, or is reasonably likely to have, a material adverse effect on the business, results of operation, prospects or financial condition of the Company and the Company Subsidiaries taken as a whole or (b) would reasonably be expected to have a material adverse effect on the legality, binding nature or enforceability of this Agreement against the Company or to prevent or substantially delay the consummation of the Merger; *provided* that the following state of facts, events, changes and the effects thereof shall be disregarded and shall in no event constitute a Company Material Adverse Effect: (i) general business or economic conditions, (ii) conditions generally affecting the industry in which the Company or any Company Subsidiary compete, (iii) the taking of any action contemplated by this Agreement, and (iv) the announcement or pendency of the transactions contemplated in this Agreement.

2.30 *Tax-Free Reorganization*. Other than any action taken in connection with the transactions contemplated herein, the Company has not taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

2.31 *Off-Balance Sheet Arrangements*. Neither the Company nor any Company Subsidiary has any off-balance sheet arrangements. For purposes of the preceding sentence, off-balance sheet arrangement means with respect to any Person, any securitization transaction to which it is party and any other transaction, agreement or other contractual arrangement to which an entity unconsolidated with that Person is a party, under which it, whether or not a party to the arrangement, has, or in the future may have: (a) any obligation under a direct or indirect guarantee or similar arrangement; (b) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement; (c) derivatives to the extent that the fair value thereof is not fully reflected as a liability or asset in the financial statements; or (d) any obligation or liability, including a contingent obligation or liability, to the extent that it is not fully reflected in the financial statements (excluding the footnotes thereto) (for this purpose, obligations or liabilities that are not fully reflected in the financial statements

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(excluding the footnotes thereto) include, without limitation: (i) obligations that are not classified as a liability according to GAAP; (ii) contingent liabilities as to which, as of the date of the financial statements, it is not probable that a loss has been incurred or, if probable, is not reasonably estimable; or (iii) liabilities as to which the amount recognized in the financial statements is less than the reasonably possible maximum exposure to loss under the obligation as of the date of the financial statements, but exclude contingent liabilities arising out of litigation, arbitration or regulatory actions (not otherwise related to off-balance sheet arrangements)). Section 2.31 of the Company Disclosure Schedule identifies all outstanding guarantees, letters of credit, performance bonds, assurance bonds, surety agreements, indemnity agreements and any other legally binding forms of assurance or guaranty in connection with the business of the Company and the Company Subsidiaries, whether or not issued by the Company, a Company Subsidiary or Company Stockholders.

2.32 *Internal Accounting Controls*. The Company and the Company Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP consistently applied and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management s general or specific authorization, (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences, and (v) accounts, notes and other receivables and inventory are recorded materially accurate, and procedures are implemented to effect the collection thereof on a current and timely basis.

2.33 *Transactions with Affiliates and Employees*. Except as set forth on Section 2.33 of the Company Disclosure Schedule, none of the officers or directors of the Company or any Company Subsidiary and, to the knowledge of the Company, none of the employees of the Company are presently a party to any transaction with the Company or any Company Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner. Since November 10, 2003, neither the Company nor any Company Subsidiary has (i) extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of the Company or any Company Subsidiary, or (ii) materially modified any term of any such extension or maintenance of credit. Section 2.33 of the Company Disclosure Schedule identifies any loan or extension of credit maintained by the Company to which the second sentence of Section 13(k)(1) of the Securities Exchange Act applies.

2.34 *Claims Under Stock Purchase Agreement*. Except as set forth on Section 2.34 of the Company Disclosure Schedule, the Company has no knowledge of any facts or circumstances that would be reasonably likely to constitute grounds for making a claim for any breach of any representation or warranty or for indemnification pursuant to the terms of the Stock Purchase Agreement (irrespective of any threshold of damages that must accrue prior to making such claims).

2.35 *Acquisition of Purchaser Stock*. No Company Stockholder, whether alone or together with any other Company Stockholder or Company Stockholders, (i) is acquiring the Purchaser Stock with the purpose or the effect of changing or influencing the control of Purchaser, or in connection with or as a participant in any transaction having any such purpose or effect, (ii) has any agreement, arrangement, understanding or relationship with any other Person (including any other Company Stockholder(s)) to act together with respect to the Purchaser Stock, whether for the purpose or acquiring, holding, voting or disposing of any Purchaser Stock or otherwise, or (iii) is acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding, voting or disposing of Purchaser Stock.

2.36 *No Short Positions or Stock Ownership*. Neither the Company nor any Company Stockholder has, during the 30-trading day prior to the date hereof, entered into any Short Sales. For purposes of this Section 2.36,

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a Short Sale means a sale of Purchaser Stock that is marked as a short sale and that is executed at a time when such Person has no equivalent offsetting long position in the Purchaser Stock. For purposes of determining whether a Person has an equivalent offsetting long position in the Purchaser Stock, all Purchaser Stock and all Purchaser Stock that would be issuable upon conversion or exercise in full of all options to purchase Purchaser Stock then held by such Person (assuming that such options were then fully convertible or exercisable, notwithstanding any provisions to the contrary, and giving effect to any conversion or exercise price adjustments scheduled to take effect in the future) shall be deemed to be held long by such Person.

3. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except with respect to representations and warranties which, by their nature, refer or relate to a contemporaneous event or statement of fact or present circumstances, and except with respect to the representations and warranties set forth in Sections 3.12 and 3.20 (which representations shall be limited as specifically set forth therein), all of the representations and warranties of Purchaser set forth in this Article 3 and shall be limited to property acquired, items accrued, events occurring and contracts executed after January 1, 2003. In addition, except as set forth in the disclosure schedule from Purchaser and Merger Sub to the Company to be delivered upon the execution of this Agreement, which sets forth certain disclosures concerning Purchaser and its business (the Purchaser Disclosure Schedule), Purchaser and Merger Sub hereby represent and warrant to the Company as follows:

3.1 *Due Incorporation and Good Standing*. Each of Purchaser, Merger Sub and each Subsidiary of the Purchaser (the Purchaser Subsidiaries) has been duly incorporated or formed and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Purchaser and Merger Sub are duly qualified or licensed and in good standing to do business in each jurisdiction in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not be reasonably likely to have a material adverse effect on Purchaser.

3.2 *Capitalization*. As of the date hereof, the authorized capital stock of Purchaser consists of 41,000,000 shares of stock, of which 40,000,000 shares have been designated as Purchaser Stock, $2.50 par value per share, and 1,000,000 shares have been designated as Preferred Stock, $10.00 par value per share. As of May 31, 2004, 21,249,860 shares of Purchaser Stock were issued and outstanding, and no shares of Preferred Stock were issued or outstanding. No other shares of capital stock of Purchaser were issued or outstanding. As of May 31, 2004, a total of approximately 1,360,123 shares of Purchaser Stock are reserved for future issuance to employees and directors upon exercise of any options granted or to be granted, warrants or other rights to purchase or acquire any shares of capital stock of the Purchaser (including restricted stock, stock equivalents and stock units) (Purchaser Options). As of May 31, 2004, there were 713,325 Purchaser Options outstanding. Except as set forth in Section 3.2 of the Purchaser Disclosure Schedule and as otherwise contemplated by this Agreement, as of the date hereof there are no outstanding rights, subscriptions, warrants, puts, calls, unsatisfied preemptive rights, options or other agreements of any kind relating to any of the outstanding, authorized but unissued or unauthorized shares of capital stock or any other security of the Purchaser, and there is no authorized or issued security of any kind convertible into or exchangeable, for any such capital stock or other security. All issued and outstanding shares of Purchaser Stock are, and all shares of Purchaser Stock to be issued to Company Stockholders in connection with the Merger will upon issuance be, duly authorized, validly issued, fully paid and non-assessable.

3.3 *Authority; No Conflict*.

(a) This Agreement constitutes the legal, valid, and binding obligation of the Purchaser and Merger Sub, enforceable against each of them in accordance with its terms. The Purchaser and Merger Sub have the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and to perform their respective obligations under this Agreement.

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(b) Except as set forth in Section 3.3 of the Purchaser Disclosure Schedule and except as described in Section 3.4, neither the execution and delivery of this Agreement nor the consummation or performance of the Merger will, directly or indirectly (with or without notice or lapse of time):

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

(ii) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge the Merger or to exercise any remedy or obtain any relief under, any Law or any Order to which the Purchaser, Merger Sub or any Purchaser Subsidiary, or any of the assets owned or used by the Purchaser, Merger Sub or any Purchaser Subsidiary, is reasonably likely to be subject;

(iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by the Purchaser, Merger Sub or any Purchaser Subsidiary or that otherwise relates to the business of, or any of the assets owned or used by, the Purchaser, Merger Sub or any Purchaser Subsidiary;

(iv) cause Purchaser, any Purchaser Subsidiary, Merger Sub, Company or any Company Subsidiary to become subject to, or to become liable for the payment of, any Tax;

(v) cause any of the assets owned by the Purchaser, Merger Sub or any Purchaser Subsidiary to be reassessed or revalued by any taxing authority or other Governmental Authority;

(vi) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; or

(vii) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned or used by the Purchaser, Merger Sub or any Purchaser Subsidiary.

Except as set forth in Section 3.3 of the Purchaser Disclosure Schedule, none of the Purchaser, Merger Sub or any Purchaser Subsidiary is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of the Merger.

3.4 *Governmental Approvals*. No Consent from or with any Governmental Authority on the part of Purchaser is required in connection with the execution or delivery by Purchaser of this Agreement or the consummation by Purchaser of the transactions contemplated hereby other than (i)

the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL; (ii) filings with the SEC, state securities laws administrators, if required, and the NYSE; (iii) filings under the HSR Act; (iv) such filings as may be required in any jurisdiction where Purchaser is qualified or authorized to do business as a foreign corporation in order to maintain such qualification or authorization; (v) those Consents required under any foreign Law; and (vi) those Consents that, if they were not obtained or made, would not be reasonably likely to have a material adverse effect on Purchaser.

3.5 *Securities Filings*. Purchaser has made available to the Company through the SEC s EDGAR database true and complete copies of all reports, statements and registration statements and amendments thereto (including, without limitation, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as amended) filed by Purchaser pursuant to the Securities Act and the Securities Exchange Act since January 1, 2003. The reports and statements set forth above, and those subsequently provided or required to be provided pursuant to this Section 3.5, are referred to collectively herein as the Purchaser Securities Filings. The Purchaser has timely filed with the SEC all of the Purchaser Securities Filings that have been filed prior to the date hereof. As of their respective dates, or as of the date of the last amendment thereof, if amended after filing, none of the Purchaser Securities Filings contained any untrue statement of a material fact or omitted to state a material fact

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required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the Purchaser Securities Filings at the time of filing or as of the date of the last amendment thereof, if amended after filing, complied in all material respects with the Securities Exchange Act or the Securities Act, as applicable. Notwithstanding the foregoing, no representation or warranty is made as to any information supplied by the Company, Crabar/GBF, Inc. or their respective shareholders with regard to any Purchaser Securities Filings.

3.6 *Vote Required; Ownership of Company Capital Stock; State Takeover Statutes*.

(a) The adoption and approval of this Agreement, the Merger, the filing of the Certificate of Merger, the filing of a listing application with the NYSE and the transactions contemplated by this Agreement by the Board of Directors and by the Purchaser Stockholders are the only corporate action necessary to approve the Merger and the transactions contemplated hereunder. No vote of any holder of any class or series of the Purchaser s capital stock, other than the Purchaser Stockholders, is necessary to approve this Agreement, the Merger or the transactions contemplated hereunder.

(b) Upon the filing of the application as contemplated by Section 1.12(f), neither the Purchaser nor any of the Purchaser Subsidiaries beneficially owns, either directly or indirectly, any shares of Company capital stock.

(c) Purchaser has taken all actions necessary under the Texas Corporation Business Act (TCBA), the DGCL and the rules and regulations of the NYSE to adopt and approve this Agreement, the Merger and the transactions contemplated by this Agreement. To the knowledge of the Purchaser, no other fair price, moratorium, or other similar anti-takeover statute or regulation prohibits (by reason of the Purchaser s participation therein) the Merger or the other transactions contemplated by this Agreement.

3.7 *Purchaser Financial Statements*. The audited consolidated financial statements and unaudited interim financial statements (including any related notes and schedules) of Purchaser included or incorporated by reference in the Purchaser Securities Filings (the Purchaser Financial Statements) have been prepared or will be prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and present or will present fairly, in all material respects, the financial position of Purchaser and the Purchaser Subsidiaries as at the dates thereof and the results of their operations and cash flows for the periods then ended, in each case in accordance with generally accepted accounting principles applied on a consistent basis, subject, in the case of the unaudited interim financial statements, to normal year-end audit adjustments, any other adjustments described therein and the fact that certain information and notes have been condensed or omitted in accordance with the Securities Exchange Act.

3.8 *Absence of Certain Changes or Events*. Since May 31, 2004, through the date of this Agreement, there has not been (i) any event that has had a material adverse effect on Purchaser or (ii) any declaration, payment or setting aside for payment any dividend (except for regularly scheduled dividends paid in accordance with past practice) or other distribution or redemption or other acquisition of any shares of capital stock of Purchaser by Purchaser.

3.9 *Compliance with Laws*. The businesses of Purchaser and the Purchaser Subsidiaries have, at all time since January 1, 2003, been operated in material compliance with all Laws applicable thereto, except for any instances of non-compliance which would not be reasonably likely to have or has had a material adverse effect on Purchaser.

3.10 *Financing*. Purchaser has sufficient funds and/or commitments for financing available and/or commitments for financing to pay (a) the cash in lieu of fractional shares to be paid in the Merger and (b) to repay or re-fund the indebtedness of the Company to be repaid at the Closing pursuant to Section 5.10. Copies of the financing commitments have been furnished to the Company.

3.11 *Tax-Free Reorganization*. Other than any action taken in connection with the transactions contemplated herein, none of the Purchaser, or any of the Purchaser Subsidiaries has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of §368(a) of the Code.

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3.12 *Title to Properties; Encumbrances*.

(a) To its knowledge, Purchaser owns all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) acquired on or after June 30, 2001 that it purports to own located in the facilities owned or operated by Purchaser or reflected as owned in the books and records of Purchaser, including all of the properties and assets reflected in the Purchaser Financial Statements (except for assets held under capitalized leases disclosed and personal property sold since the date of the Purchaser Financial Statements in the Ordinary Course of Business), and all of the properties and assets purchased or otherwise acquired by Purchaser since the date of the Purchaser Financial Statements (except for personal property acquired and sold since the date of the Purchaser Financial Statements in the Ordinary Course of Business and consistent with past practice). All material properties and assets reflected in the Purchaser Financial Statements are free and clear of all Encumbrances, except for (a) mortgages or security interests shown on the Purchaser Financial Statements as securing specified liabilities or obligations, with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (b) mortgages or security interests incurred in connection with the purchase of property or assets after the date of the Purchaser Financial Statements (such mortgages and security interests being limited to the property or assets so acquired), with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (c) liens for current taxes not yet due, and (d) with respect to real property, (i) minor imperfections of title, if any, none of which is substantial in amount, materially detracts from the value or impairs the use of the property subject thereto, or impairs the operations Purchaser, and (ii) zoning laws and other land use restrictions that do not impair the present or anticipated use of the property subject thereto.

(b) Notwithstanding anything contained in this Section 3.12 to the contrary, for purposes of this Section 3.12 only, knowledge shall mean the actual knowledge of Keith S. Walters, Harve Cathey and Michael Magill only, and shall not include any knowledge or facts constructively known or imputed to any of them.

3.13 *Condition and Sufficiency of Assets*. Since January 1, 2003, to Purchaser s knowledge, Purchaser has not received written notice that the buildings, plants, structures, and equipment of Purchaser is not structurally sound, not in good operating condition and repair, or are inadequate for the uses to which they are being put, nor since January 1, 2003, to Purchaser s knowledge, has Purchaser has received written notice that any of such buildings, plants, structures, or equipment is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. Notwithstanding anything contained in this Section 3.13 to the contrary, in no event shall Purchaser be liable for a breach of the representations and warranties set forth in this Section 3.13 unless and until the damages or losses related thereto exceed $250,000.

3.14 *Purchaser Accounts Receivable*.

(a) Except for any reserves as reflected on Section 3.14 of the Purchaser Disclosure Schedule which apply to Purchaser Accounts Receivable, all Purchaser Accounts Receivable that are reflected on the Purchaser Financial Statements represent or will represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. Unless paid prior to the Closing Date, to Purchaser s knowledge, the Purchaser Accounts Receivable are or will be as of the Closing Date current and collectible net of the respective reserves shown on the Purchaser Financial Statements or on the accounting records of Purchaser as of the Closing Date (which reserves are adequate and calculated consistent with past practice). There is no contest, claim, or right of set-off, other than returns in the Ordinary Course of Business, under any Contract with any obligor of a Purchaser Accounts Receivable relating to the amount or validity of such Purchaser Accounts Receivable. Section 3.14 of the Purchaser Disclosure Schedule contains a complete and accurate summary report of all Purchaser Accounts Receivable as of the date of the Purchaser Financial Statements.

(b) Notwithstanding anything contained in this Section 3.14 to the contrary, in no event shall Purchaser be liable for a breach of the representations and warranties set forth in this Section 3.14 unless and until the damages or losses related thereto exceed the Purchaser A/R Basket.

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3.15 *Inventory*. Except as set forth in Section 3.15 of the Purchaser Disclosure Schedule and to Purchaser s knowledge: (a) all inventory of Purchaser reflected in the Purchaser Financial Statements consists of a quality and quantity usable and salable in the Ordinary Course of Business, except for obsolete items and items of below-standard quality; and (b) the quantities of each item of inventory (whether raw materials, work-in-process, or finished goods) reflected on the Purchaser Financial Statements are not excessive in kind or amount, but are reasonable in the present circumstances of the Purchaser Business. Notwithstanding anything contained in this Section 3.15 to the contrary, in no event shall Purchaser be liable for a breach of the representations and warranties set forth in this Section 3.15 unless and until the damages or losses related thereto exceed the Purchaser Inventory Basket.

3.16 *Taxes*.

(a) Except as set forth in Section 3.16 of the Purchaser Disclosure Schedule, Purchaser has filed or caused to be filed (on a timely basis) Tax Returns that are or were required to be filed by it, either separately or as a member of a group of corporations, pursuant to applicable Laws. Purchaser has delivered to Company copies of, and Section 3.16 of the Purchaser Disclosure Schedule contains a complete and accurate list of, all such Tax Returns relating to income or franchise taxes filed since January 1, 2003. Purchaser has paid, or made provision for the payment of, all Taxes that have or may have become due pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by Purchaser, except such Taxes, if any, as are listed in Section 3.16 of the Purchaser Disclosure Schedule and are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the Purchaser Financial Statements.

(b) Section 3.16 of the Purchaser Disclosure Schedule contains a complete and accurate list of all audits of all such Tax Returns, including a reasonably detailed description of the nature and outcome of each audit. All deficiencies proposed as a result of such audits have been paid, reserved against, settled, or, as described in Section 3.16 of the Purchaser Disclosure Schedule, are being contested in good faith by appropriate proceedings. Section 3.16 of the Purchaser Disclosure Schedule describes all adjustments to the United States federal income Tax Returns filed by Purchaser or any group of corporations including Purchaser for any taxable periods commencing since January 1, 2003, and the resulting deficiencies proposed by the IRS. Except as described in Section 3.16 of the Purchaser Disclosure Schedule, Purchaser has not given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of Purchaser or for which Purchaser is reasonably likely to be liable.

(c) There exists no proposed tax assessment against Purchaser except as disclosed in the Purchaser Financial Statements or in Section 3.16 of the Purchaser Disclosure Schedule. No consent to the application of §341(f)(2) of the Code has been filed with respect to any property or assets held, acquired, or to be acquired by Purchaser. All Taxes that Purchaser is or was required by Law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Authority or other Person, except as disclosed in the Purchaser Financial Statements or in Section 3.16 of the Purchaser Disclosure Schedule.

(d) Except as set forth in Section 3.16 of the Purchaser Disclosure Schedule, there is no (i) material claim for Taxes that is a Lien against the property or assets of Purchaser or that is being asserted against Purchaser other than liens for Taxes not yet due and payable; (ii) audit, administrative proceeding or court proceeding with respect to any Taxes or Tax Returns of Purchaser that is being conducted or is pending and no Governmental Authority responsible for the imposition of any Tax has asserted against Purchaser any material deficiency or claim for Taxes; or (iii) agreement, contract or arrangement to which Purchaser is a party that would result in the payment of any amount that would not be deductible by reason of Code §§162(m) or 280G as a result of the transactions contemplated by this Agreement.

(d) No claim or notice has been submitted by a Governmental Authority in a jurisdiction where Purchaser has not filed Tax Returns that it is or is reasonably likely to be subject to taxation by that jurisdiction.

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(e) No power of attorney has been granted by Purchaser with respect to any matters relating to Taxes that is currently in effect.

(h) Purchaser has not filed any disclosures under Code §§6662 or 6011 or comparable provisions of state, local or foreign Law to prevent the imposition of penalties with respect to any Tax reporting position taken on any Tax Return.

(i) Except as set forth in Section 3.16 of the Purchaser Disclosure Schedule, all Tax Returns filed by (or that include on a consolidated basis) Purchaser are true, correct, and complete in all material respects. There is no tax sharing agreement that will require any payment by Purchaser after the date of this Agreement and Purchaser has not incurred any liability for Taxes of any Person under Treasury Regulation 1.1502-6 (or any similar laws) or as a transferee or successor or by contract except as disclosed on Schedule 3.16 of the Purchaser Disclosure Schedule.

3.17 *Employee Benefits*.

(a) As used in this Section 3.17, the following terms have the meanings set forth below.

Purchaser Other Benefit Obligation means any Other Benefit Obligation of which Purchaser or a Purchaser ERISA Affiliate is or ever was a Plan Sponsor or otherwise does or ever has adopted, maintained, participates or has participated in, contributes to or has contributed to, or has any liability with respect to.

Purchaser Plan means all Plans of which Purchaser or an Purchaser ERISA Affiliate is or ever was a Plan Sponsor or otherwise does or ever has adopted, maintained, participates or has participated in, contributes to or has contributed to, or has any liability with respect to. All references to Plans are to Purchaser Plans unless the context requires otherwise.

Purchaser ERISA Affiliate means any Person that, together with Purchaser, would be treated as a single employer under Code §414.

(b)

(i) Except for the plans disclosed in Section 3.17(i) of the Purchaser Disclosure Schedule, neither Purchaser nor any Purchaser ERISA Affiliates have and have not established, maintained, participated in or otherwise contributed to or have any liability with respect to any Plan or Other Benefit Obligation. Section 3.17(i) of the Purchaser Disclosure Schedule contains a complete and accurate list of all Purchaser Plans and Purchaser Other Benefit Obligations, and identifies as such all Plans that are maintained by Purchaser and any Purchaser Subsidiary and that are (A) defined benefit Pension Plans, (B) Qualified Plans, (C) Title IV Plans, or (D) Multi-Employer Plans.

(ii) Section 3.17(ii) of the Purchaser Disclosure Schedule sets forth the financial cost of all obligations owed under any Purchaser Plan or Purchaser Other Benefit Obligation that is not subject to the disclosure and reporting requirements of ERISA.

(c) Except as set forth in Section 3.17(iii) of the Purchaser Disclosure Schedule, to the knowledge of Purchaser:

(i) Purchaser has performed all of their respective obligations under all Purchaser Plans and Purchaser Other Benefit Obligations since January 1, 2003. Since January 1, 2003, Purchaser has made appropriate entries in their financial records and statements for all obligations and liabilities under such Plans and Obligations that have accrued but are not due.

(ii) Since January 1, 2003, no statement, either written or oral, has been made by Purchaser to any Person with regard to any Plan or Other Benefit Obligation that was not in accordance with the Plan or Other Benefit Obligation and that could have an adverse economic consequence to Purchaser.

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(iii) Purchaser, with respect to all Purchaser Plans, and Purchaser Other Benefits Obligations, is, and each Purchaser Plan, and Purchaser Other Benefit Obligation, is, in full compliance with ERISA, the Code, and other applicable Laws including the provisions of such Laws expressly mentioned in this Section 3.13, and with any applicable collective bargaining agreement.

(A) No transaction prohibited by ERISA §406 and no prohibited transaction under Code §4975(c) have occurred with respect to any Purchaser Plan or Purchaser Other Benefit Obligation.

(B) Neither Purchaser nor any Purchaser ERISA Affiliate has any liability to the IRS with respect to any Plan, including any liability imposed by Chapter 43 of the Code.

(C) All filings required by ERISA and the Code as to each Plan have been timely filed, and all notices and disclosures to participants required by either ERISA or the Code have been timely provided.

(D) All contributions and payments made or accrued since January 1, 2003 with respect to all Purchaser Plans, and Purchaser Other Benefit Obligations are deductible under Code §162 or §404. No amount, or any asset of any Purchaser Plan or Purchaser Other Benefit Obligation, is subject to tax as unrelated business taxable income.

(iv) Each Purchaser Plan or Purchaser Other Benefit Obligation can be amended or modified at any time and each Purchaser Plan or Purchaser Other Benefit Obligation can be terminated within thirty (30) days, without payment of any additional contribution or amount and without the vesting or acceleration of any benefits promised by such Plan.

(v) Since January 1, 2003 there has been no establishment or amendment of any Purchaser Plan or Purchaser Other Benefit Obligation.

(vi) Since January 1, 2003 no event has occurred or circumstance exists that could result in a material increase in premium costs of Purchaser Plans and Purchaser Other Benefit Obligations that are insured, or a material increase in benefit costs of such Plans and Obligations that are self-insured.

(vii) Other than claims for benefits submitted by participants or beneficiaries, no claim against, audits or legal proceeding involving, any Purchaser Plan, or Purchaser Other Benefit Obligation is pending or, to Purchaser s knowledge, is Threatened.

(viii) Each Qualified Plan of Purchaser and Purchaser ERISA Affiliate is qualified in form and operation under Code §401(a); each trust for each such Plan is exempt from federal income tax under Code §501(a). Since January 1, 2003, no event has occurred or circumstance exists that will or could give rise to disqualification or loss of tax-exempt status of any such Plan or trust.

(ix) None of Purchaser or any Purchaser ERISA Affiliate has knowledge of any facts or circumstances that is reasonably likely to give rise to any liability of Purchaser or any Purchaser ERISA Affiliate to the PBGC under Title IV of ERISA.

(x) Neither Purchaser, nor any Purchaser ERISA Affiliate has ever established, maintained, or contributed to or otherwise participated in, or had an obligation to maintain, contribute to, or otherwise participate in, any Title IV Plan or any Multi-Employer Plan.

(xi) Except to the extent required under ERISA §601 et seq. and Code §4980B, none of Purchaser or any Purchaser ERISA Affiliate provides health or welfare benefits for any retired or former employee or is obligated to provide health or welfare benefits to any active employee following such employee s retirement or other termination of service.

(xii) Purchaser and all Purchaser ERISA Affiliates have complied with the provisions of ERISA §601 et seq. and Code §4980B.

(xiii) No payment that is owed or is reasonably likely to become due to any director, officer, employee, or agent of Purchaser will be non-deductible to Purchaser or subject to tax under Code §280G or §4999; nor

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will Purchaser be required to gross up or otherwise compensate any such person because of the imposition of any excise tax on a payment to such person.

(xiv) The consummation of the Merger will not result in the payment, vesting, or acceleration of any benefit.

3.18 *Contracts; No Defaults*.

(a) Section 3.18(a) of the Purchaser Disclosure Schedule contains a complete and accurate list, and Purchaser has delivered to Purchaser true and complete copies, of:

(i) each Purchaser Applicable Contract that involves performance of services or delivery of goods or materials by Purchaser of an amount or value in excess of $50,000 or with a remaining term of more than twelve (12) months, other than Purchaser Applicable Contracts entered into in the Ordinary Course of Business;

(ii) each Purchaser Applicable Contract that involves performance of services or delivery of goods or materials to Purchaser of an amount or value in excess of $50,000 or with a remaining term of more than twelve (12) months, other than Purchaser Applicable Contracts entered into in the Ordinary Course of Business;

(iii) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Purchaser Applicable Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $50,000 and with terms of less than one year);

(iv) each licensing agreement or other Purchaser Applicable Contract with respect to patents, trademarks, copyrights or other intellectual property, including agreements with current or former employees, consultants or contractors regarding the appropriation or the non-disclosure of any of the Purchaser Intellectual Property Assets;

(v) each collective bargaining agreement and other Purchaser Applicable Contract to or with any labor union or other employee representative of a group of employees;

(vi) each joint venture, partnership, and other Purchaser Applicable Contract (however named) involving a sharing of profits, losses, costs or liabilities by Purchaser with any other Person;

(vii) each Purchaser Applicable Contract containing covenants that in any way purport to restrict the business activity of Purchaser or any Affiliate of Purchaser or limit the freedom of Purchaser or any Affiliate of Purchaser to engage in any line of business or to compete with any Person;

(viii) each Purchaser Applicable Contract providing for payments to or by any Person based on sales, purchases or profits, other than direct payments for goods;

(ix) each power of attorney that is currently effective and outstanding;

(x) each Purchaser Applicable Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by Purchaser to be responsible for consequential damages;

(xi) each Purchaser Applicable Contract for capital expenditures in excess of $200,000 or with a remaining term of more than twelve (12) months, other than Purchaser Applicable Contracts entered into in the Ordinary Course of Business;

(xii) each written warranty, guaranty, and or other similar undertaking with respect to contractual performance extended by Purchaser other than in the Ordinary Course of Business; and

(xiii) each amendment, supplement, and modification (whether oral or written) in respect of any of the foregoing.

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Section 3.18(a) of the Purchaser Disclosure Schedule sets forth reasonably complete details concerning such Contracts, including the parties to the Contracts, the amount of the remaining commitment of Purchaser under the Contracts, and Purchaser s office where details relating to the Contracts are located. Notwithstanding the foregoing Section 3.18(a), Purchaser shall only be required to disclose only such Contracts that have been executed or made effective on or after January 1, 2003.

(b) Except as set forth in Section 3.18(b) of the Purchaser Disclosure Schedule, to the knowledge of Purchaser, no officer, director, agent, employee, consultant or contractor of Purchaser is bound by any Contract that purports to limit the ability of such officer, director, agent, employee, consultant or contractor to (A) engage in or continue any conduct, activity or practice relating to the business of Purchaser, or (B) assign to Purchaser or to any other Person any rights to any invention, improvement or discovery.

(c) Except as set forth in Section 3.18(c) of the Purchaser Disclosure Schedule, each Contract identified or required to be identified in Section 3.18(a) of the Purchaser Disclosure Schedule is in full force and effect and is valid and enforceable in accordance with its terms.

(d) Except as set forth in Section 3.18(d) of the Purchaser Disclosure Schedule and to the knowledge of Purchaser:

(i) Purchaser is, and at all times has been since January 1, 2003, in material compliance with all applicable terms and requirements of each Contract under which Purchaser has or had any obligation or liability or by which Purchaser or any of the assets owned or used by Purchaser is or was bound;

(ii) each other Person that has or had any obligation or liability under any Contract under which Purchaser has or had any rights is, and at all times since January 1, 2003 has been, in material compliance with all applicable terms and requirements of such Contract;

(iii) no event has occurred or circumstance exists that (with or without notice or lapse of time) is reasonably likely to contravene, conflict with, or result in a violation or breach of, or give Purchaser or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Purchaser Applicable Contract; and

(iv) Purchaser has not given to or received from any other Person, at any time since January 1, 2003, any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or breach of, or default under, any Contract and which violation or breach would have a material adverse effect on Purchaser or its assets.

(e) There are no renegotiations of, attempts to renegotiate, or outstanding rights to renegotiate any material amounts paid or payable to Purchaser under current or completed Contracts with any Person and, to the knowledge of Purchaser, no such Person has made written demand for such renegotiation.

(f) The Contracts relating to the sale, design, manufacture, or provision of products or services by Purchaser has been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in violation of any Law.

3.19 *Insurance*.

(a) Purchaser has delivered to Company:

(i) true and complete copies of all policies of insurance to which Purchaser and any Purchaser Subsidiary is a party or under which Purchaser, or any director of Purchaser, is or has been covered at any time since January 1, 2003; and

(ii) any statement by the auditor of Purchaser s financial statements with regard to the adequacy of such entity s coverage or of the reserves for claims.

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(b) Section 3.19(b) of the Purchaser Disclosure Schedule describes any self-insurance arrangement by or affecting Purchaser, including any reserves established thereunder.

(c) Section 3.19(c) of the Purchaser Disclosure Schedule sets forth, by year, for the current policy year and any preceding policy years commencing on or after January 1, 2003:

(i) a summary of the loss experience under each policy;

(ii) a statement describing each claim under an insurance policy for an amount in excess of $100,000, which sets forth:

(A) the name of the claimant;

(B) a description of the policy by insurer, type of insurance, and period of coverage; and

(C) the amount and a brief description of the claim; and

(D) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Section 3.19(d) of the Purchaser Disclosure Schedule:

(i) Purchaser has not received (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or will not be renewed or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(ii) Purchaser has paid all premiums due, and have otherwise performed all of their respective obligations, under each policy to which Purchaser is a party or that provides coverage to Purchaser or director thereof.

(iii) Purchaser has given notice to the insurer of all claims arising since January 1, 2003 that may be insured thereby.

3.20 *Environmental Matters*. Except as set forth in Section 3.20 of the Purchaser Disclosure Schedule:

(a) Purchaser is, and, to its knowledge at all times since June 30, 2001 has been, in full compliance with, and has not been and is not in violation of or liable under, any Environmental Law. To its knowledge at all times since June 30, 2001, none of Purchaser or any Purchaser Subsidiary has any basis to expect, nor has any of them or any other Person for whose conduct they are or is reasonably likely to be held to be responsible received, any actual or Threatened order, notice, or other communication from (i) any Governmental Authority or private citizen, or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or Threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which Purchaser has had an interest to its knowledge at all times since June 30, 2001 or, to its knowledge at all times since June 30, 2001 with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by Purchaser, any Purchaser Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, released or received to its knowledge at all times since June 30, 2001.

(b) There are no pending or, to the knowledge of Purchaser, Threatened claims, Encumbrances or other restrictions of any nature, resulting from any Environmental, Health, and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting any of the Facilities or any other properties and assets (whether real, personal or mixed) in which Purchaser has or had an interest.

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(c) Purchaser has no basis to expect, nor has it or any other Person for whose conduct they are or is reasonably likely to be held responsible, received, any citation, directive, inquiry, notice, Order, summons, warning or other communication that relates to Hazardous Activity, Hazardous Materials or any alleged, actual or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which Purchaser has or had, to its knowledge at all times since June 30, 2001, an interest or is or was otherwise responsible, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by Purchaser, any Purchaser Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled, released or received to its knowledge at all times since June 30, 2001.

(d) None of Purchaser, any Purchaser Subsidiary or any other Person for whose conduct they are or is reasonably likely to be held responsible, has or is reasonably likely to have incurred any Environmental, Health, and Safety Liabilities arising out of or relating to: (i) the Facilities acquired since June 30, 2001 or any other property (whether real, personal, or mixed) in which the Company or any Company Subsidiary (or any predecessors) has, or to its knowledge at all times since June 30, 2001 had, any interest or is or was responsible; (ii) any property geographically or hydrologically adjoining the Facilities acquired since June 30, 2001; (iii) any Hazardous Activities of Purchaser; or (iv) any operations of Purchaser, including without limitation activities or operations of Purchaser relating to any off-site transportation, treatment, disposal, or Release of Hazardous Material, or any arrangement for the transportation, treatment or disposal of any Hazardous Material at any other facility or property.

(e) There are no Hazardous Materials present on or in the Environment at the Facilities acquired since June 30, 2001 or at any geologically or hydrologically adjoining property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Facilities acquired since June 30, 2001 or such adjoining property, or incorporated into any structure therein or thereon. Purchaser, any other Person for whose conduct they are or is reasonably likely to be held responsible, or to the knowledge of Purchaser, any other Person, has permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to the Facilities acquired since June 30, 2001 or any other properties or assets (whether real, personal, or mixed) in which Purchaser has or to its knowledge at all times since June 30, 2001 had an interest or is otherwise responsible, except in full compliance with all applicable Environmental Laws.

(f) To its knowledge at all times since June 30, 2001, there has been no Release or, to the knowledge of Purchaser, Threat of Release, of any Hazardous Materials at or from the Facilities acquired since June 30, 2001 or at any other locations where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by the Facilities acquired since June 30, 2001, or from or by any other properties and assets (whether real, personal, or mixed) in which Purchaser has or to its knowledge at all times since June 30, 2001 has had an interest or is otherwise responsible, or to the knowledge of Purchaser any geologically or hydrologically adjoining property, whether by Purchaser or any other Person.

(g) Section 3.20 of the Purchaser Disclosure Schedule contains a complete list of all Governmental Authorizations required for Purchaser s or any Purchaser Subsidiary s operations under the Environmental Laws of the United States and any state in the United States where Purchaser does business. These Governmental Authorizations are in full force and effect, and none of Purchaser is in violation of the terms of any of these Governmental Authorizations. None of these Governmental Authorizations would be violated by the Merger, and no action or consent by any Governmental Authority is required as a result of the Merger in order to maintain such Governmental Authorizations in full force and effect.

(h) Purchaser has delivered to Company true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Purchaser to its knowledge at all times since June 30, 2001 pertaining to

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Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance by Purchaser, any Purchaser Subsidiary, or any other Person for whose conduct they are or is reasonably likely to be held responsible, with Environmental Laws.

(i) Notwithstanding anything contained in this Section 3.20 to the contrary, for purposes of this Section 3.20 only, knowledge shall mean the actual knowledge of Keith S. Walters, Harve Cathey and Michael Magill only, and shall not include any knowledge or facts constructively known or imputed to any of them.

3.21 *Employees*.

(a) Section 3.21 of the Purchaser Disclosure Schedule contains a complete and accurate list of the following information for each employee, officer or director of Purchaser with aggregate compensation in excess of $70,000 per year, including each employee on leave of absence or layoff status: employer; name; years of service; job title; current compensation paid or payable and any change in compensation since December 31, 2003.

(b) No employee or director of Purchaser is a party to, or is otherwise bound by, any Proprietary Rights Agreement that in any way adversely affects or will affect (i) the performance of his duties as an employee or director of Purchaser, or (ii) the ability of Purchaser to conduct its business, including any Proprietary Rights Agreement with Purchaser by any such employee or director. To Purchaser s knowledge, no director, officer, or other key employee of Purchaser intends to terminate his or her employment with Purchaser.

(c) Section 3.21 of the Purchaser Disclosure Schedule also contains a complete and accurate list of the following information for each employee or director of Purchaser that has retired since January 1, 2003, or their dependents, receiving benefits or scheduled to receive benefits in the future: name, pension benefit, pension option election, retiree medical insurance coverage, retiree life insurance coverage, and other benefits.

3.22 *Labor Relations; Compliance*. Except as set forth in Section 3.22 of the Purchaser Disclosure Schedule, since January 1, 2003, Purchaser has not been or is a party to any collective bargaining or other labor Contract. Except as set forth in Section 3.22 of the Purchaser Disclosure Schedule, since January 1, 2003, there has not been, there is not presently pending or existing, and there is not Threatened, (a) any strike, slowdown, picketing, work stoppage, or employee grievance process, (b) any Proceeding against or affecting Purchaser relating to the alleged violation of any Law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any comparable Governmental Authority, organizational activity, or other labor or employment dispute against or affecting any of Purchaser or their premises, or (c) any application for certification of a collective bargaining agent. Since January 1, 2003, no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute. There is no lockout of any employees by Purchaser, and no such action is contemplated by Purchaser. Purchaser has complied in all respects with all Laws relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, occupational safety and health, and plant closing. None of Purchaser or any Purchaser Subsidiary is liable for the payment of any compensation, damages, taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Laws.

3.23 *Intellectual Property*.

(a) *Purchaser Intellectual Property Assets* The term Purchaser Intellectual Property Assets includes the following which have been acquired or used since January 1, 2003:

(i) the names identified on Section 3.23(a)(i) of the Purchaser Disclosure Schedule, including Ennis , all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications (collectively, Purchaser Marks);

(ii) all Patents;

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(iii) all Copyrights;

(iv) all Rights in Mask Works;

(v) all trade secrets, technical information and process technology including without limitation matters identified as trade secrets on Section 3.23(a)(v) of the Purchaser Disclosure Schedule, (collectively, Purchaser Trade Secrets); owned, used, or licensed by Purchaser as licensee or licensor; and

(vi) all Internet domain names, including *www.ennis.com*.

(b) *Agreements* Section 3.23(b) of the Purchaser Disclosure Schedule contains a complete and accurate list and summary description, including any royalties paid or received by Purchaser, of all Contracts relating to the Purchaser Intellectual Property Assets to which Purchaser is a party or by which Purchaser is bound, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available software programs with a value of less than $50,000 under which Purchaser is the licensee. There are no outstanding and, to Purchaser s knowledge, no Threatened disputes or disagreements with respect to any such agreement.

(c) *Know-How Necessary for the Purchaser Business*

(i) The Purchaser Intellectual Property Assets are all those necessary for the operation of Purchaser s businesses as it is currently conducted. Purchaser is the owner of all right, title, and interest in and to each of the Purchaser Intellectual Property Assets, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims, and has the right to use without payment to a third party all of the Purchaser Intellectual Property Assets.

(ii) Except as set forth in Section 3.23(c) of the Purchaser Disclosure Schedule, all current and, former Since January 1, 2003, employees of Purchaser have executed written Contracts with Purchaser that assign to Purchaser all rights to any inventions, improvements, discoveries, or information relating to the business of Purchaser. No employee of Purchaser has entered into any Contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than Purchaser.

(d) *Patents* Section 3.23(d) of Purchaser Disclosure Schedule contains a complete and accurate list and summary description of all Patents.

(e) *Trademarks*

(i) Section 3.23(e) of Purchaser Disclosure Schedule contains a complete and accurate list and summary description of all Purchaser Marks. Purchaser is the owner of all right, title, and interest in and to each of the Purchaser Marks, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims.

(ii) All Purchaser Marks that have been registered with the United States Patent and Trademark Office are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), and are valid and enforceable.

(iii) No Mark has been since January 1, 2003, or is now involved in any opposition, invalidation, or cancellation and, to Purchaser s knowledge, no such action is Threatened with the respect to any of the Purchaser Marks.

(iv) To Purchaser s knowledge, there is no potentially interfering trademark or trademark application of any third party.

(v) No Mark is infringed or, to Purchaser s knowledge, has been challenged or threatened in any way. None of the Purchaser Marks used by Purchaser infringes or is alleged to infringe any trade name, trademark, or service mark of any third party.

(vi) All products and materials containing a Mark bear the proper federal registration notice where permitted by law.

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(f) *Copyrights* Section 3.23(f) of Purchaser Disclosure Schedule contains a complete and accurate list and summary description of all Copyrights.

(g) *Trade Secrets*

(i) With respect to each Purchaser Trade Secret, the documentation relating to such Purchaser Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual.

(ii) Since January 1, 2003, Purchaser has taken all reasonable precautions to protect the secrecy, confidentiality, and value of their Purchaser Trade Secrets.

(iii) Purchaser has good title and an absolute (but not necessarily exclusive) right to use the Purchaser Trade Secrets. The Purchaser Trade Secrets are not part of the public knowledge or literature, and, to Purchaser s knowledge, since January 1, 2003, have not been used, divulged, or appropriated either for the benefit of any Person (other than Purchaser) or to the detriment of Purchaser. No Purchaser Trade Secret is subject to any adverse claim or, since January 1, 2003, has been challenged or threatened in any way.

(h) *Software*. Purchaser owns or is licensed to use all Software which is material to the conduct of the business and the operation of the property. All Software used by Purchaser which is not commercial software available off the shelf either directly from the licensor or from third party retailers and which does not require extensive customization for use is identified on Section 3.23(h) of the Purchaser Disclosure Schedule.

3.24 *Certain Payments*. Since January 1, 2003, none of Purchaser or director, officer, agent, or employee of Purchaser, or to Purchaser s knowledge any other Person associated with or acting for or on behalf of Purchaser, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Purchaser or any Affiliate of Purchaser, or (iv) in violation of any Law, (b) established or maintained any fund or asset that has not been recorded in the books and records of Purchaser.

3.25 *Disclosure*.

(a) No representation or warranty of Purchaser in this Agreement and no statement in the Purchaser Disclosure Schedule contains an untrue statement of material fact or omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(b) No notice given pursuant to Section 5.2 will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

(c) There is no fact known to Purchaser that has specific application to Purchaser (other than general economic or industry conditions) and that materially adversely affects the assets, business, prospects, financial condition, or results of operations of Purchaser (on a consolidated basis) that has not been set forth in this Agreement or the Purchaser Disclosure Schedule. Notwithstanding the foregoing, none of Purchaser representations and warranties apply to knowledge of projections, trends, or general economic conditions related to the textile industry.

3.26 *Relationships With Related Persons*. None of Purchaser or any Related Person of Purchaser has, or since the first day of the next to last completed fiscal year of Purchaser has had, any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to Purchaser s businesses. None of Purchaser or any Related Person of Purchaser is or, since January 1, 2003, has owned (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has (i) had business dealings or a material financial interest in any transaction with Purchaser, or (ii) engaged in

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competition with Purchaser with respect to any line of the products or services of Purchaser in any market presently served by Purchaser or any such Purchaser. Except as set forth in Section 3.26 of the Purchaser Disclosure Schedule, none of Purchaser or any Related Person of Purchaser is a party to any Contract with, or has any claim or right against, Purchaser.

3.27 *Patriot Act*. Purchaser hereby represents and warrants that Purchaser is compliant with all applicable anti-money laundering laws, including, without limitation, the USA Patriot Act, and the laws administered by the United States Treasury Department s Office of Foreign Assets Control, including, without limitation, Executive Order 13224. Purchaser further represents and warrants that Purchaser does not conduct business with any person or entity on the SDN List published by the United States Treasury Department s Office of Foreign Assets Control.

3.28 *Off-Balance Sheet Financial Statements Arrangements*. Purchaser does not have any off-balance sheet arrangements. For purposes of the preceding sentence, off-balance sheet arrangement shall have the meaning set forth in Section 2.31. Section 3.28 of the Purchaser Disclosure Schedule identifies all outstanding guarantees, letters of credit, performance bonds, assurance bonds, surety agreements, indemnity agreements and any other legally binding forms of assurance or guaranty in connection with the business of Purchaser, whether or not issued by Purchaser s stockholders.

3.29 *Transactions with Affiliates and Employees*. Except as set forth on Section 3.29 of the Purchaser Disclosure Schedule, none of the officers or directors of Purchaser and, to the knowledge of Purchaser, none of the employees of Purchaser is presently a party to any transaction with Purchaser (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of Purchaser, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner. Since January 1, 2003 Purchaser has not (i) extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of Purchaser, or (ii) materially modified any term of any such extension or maintenance of credit. Section 3.29 of the Purchaser Disclosure Schedule identifies any loan or extension of credit maintained by Purchaser to which the second sentence of Section 13(k)(1) of the Securities Exchange Act applies.

3.30 *No Other Representations or Warranties*. Purchaser acknowledges and agrees that, in entering into this Agreement and in consummating the transactions contemplated hereby:

(i) It has relied and will rely solely upon its own investigation and analysis and the representations and warranties contained in Article 2 of this Agreement. Without limiting the generality of the foregoing, except with respect to the items set forth on Section 3.12 of the Company Disclosure Schedule, it has not and will not rely on any of the information learned or provided in connection with any presentation made by management or other representatives of the Company, contained in any document provided to it, any projections or forecasts or otherwise.

(ii) None of the Company nor any of the Company representatives has made any statement, representation or warranty except for the representations and warranties made by the Company as expressly set forth in Article 2 of this Agreement.

(iii) With respect to the period prior to November 10, 2003, it has relied and will rely solely upon the representations, warranties and indemnification rights of Company set forth in the Stock Purchase Agreement, and will not seek indemnification for a breach by Company of any representations and warranties of this Agreement unless and until it has made a good faith, commercially reasonable judgment that the

nature of its claim is not subject to indemnification solely under the Stock Purchase Agreement.

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4. ADDITIONAL COVENANTS OF THE COMPANY

The Company covenants and agrees as follows:

4.1 *Conduct of Business of the Company and the Company Subsidiaries*. (a) Unless Purchaser shall otherwise agree in writing and except as expressly contemplated by this Agreement or as set forth on Section 4.1 of the Company Disclosure Schedule (the inclusion of any item having been consented to by Purchaser), during the period from the date of this Agreement to the Effective Time, (i) the Company shall conduct, and it shall cause each of the Company Subsidiaries to conduct, its or their businesses in the ordinary course, and the Company shall, and it shall cause each of the Company Subsidiaries to, use its or their commercially reasonable efforts to preserve intact its business organization, to keep available the services of its officers and key employees, and to maintain satisfactory relationships with all persons with whom it does business, and (ii) without limiting the generality of the foregoing, neither the Company nor any Company Subsidiary will, except in the ordinary course of business:

(A) amend or propose to amend its Organizational Documents;

(B) authorize for issuance, issue, grant, sell, pledge or dispose of any shares of, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell any shares of, the capital stock or other equity securities of the Company or any Company Subsidiary including, but not limited to, any securities convertible into or exchangeable for shares of stock of any class of the Company or any Company Subsidiary;

(C) split, combine or reclassify any shares of its capital stock or declare, pay or set aside any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock but except with respect to the distribution provided for in Section 5.16, other than dividends or distributions to the Company or any Company Subsidiary, or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any shares of its capital stock or other securities and other than pursuant to commitments outstanding on the date of this Agreement in accordance with their present terms as set forth on Schedule 4.1 of the Company Disclosure Schedule;

(D) (i) create, incur, assume, forgive or make any changes to the terms or collateral of any debt for borrowed money, except incurrences that constitute refinancing of existing obligations on terms that are no less favorable to the Company or the Company Subsidiaries than the existing terms; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, indirectly, contingently or otherwise) for the obligations of any person other than in the ordinary course of business; (iii) make any capital expenditures other than as set forth in Section 4.1 of the Company Disclosure Schedule; (iv) make any loans, advances or capital contributions to, or investments in, any other person (other than to a Company Subsidiary and customary travel, relocation or business advances to employees); (v) acquire the stock or assets of, or merge or consolidate with, any other person; (vi) voluntarily incur any material liability or obligation (absolute, accrued, contingent or otherwise) other than in the ordinary course of business; or (vii) sell, transfer, mortgage, pledge, or otherwise dispose of, or encumber, or agree to sell, transfer, mortgage, pledge or otherwise dispose of or encumber, any assets or properties, real, personal or mixed material to the Company and the Company Subsidiaries taken as a whole other than to secure debt permitted under subclause (i) of this clause (D) or other than in the ordinary course of business;

(E) increase in any manner the wages, salaries, bonus, compensation or other benefits of any of its officers or employees or enter into, establish, amend or terminate any employment, consulting, retention, change in control, collective bargaining, bonus or other incentive compensation, profit sharing, health or other welfare, stock option or other equity, pension, retirement, vacation, severance, termination, deferred compensation

or other compensation or benefit plan, policy, agreement, trust, fund or arrangement with, for or in respect of, any shareholder, officer, director, other employee, agent, consultant or affiliate other than as required pursuant to the terms of agreements in effect on the date of this Agreement, or enter into or engage in any agreement, arrangement or transaction with any of its directors, officers, employees or affiliates;

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(F) (i) commence or settle any litigation or other proceedings with any Governmental Authority or other person, or (ii) make or rescind any election relating to any Tax, settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, change any method of accounting or make any other material change in its accounting or Tax policies or procedures;

(G) knowingly commit or omit to do any act, which act or omission causes a breach of any covenant contained in this Agreement or is intended to cause any representation or warranty contained in this Agreement to become untrue in a material respect, as if each such representation and warranty were continuously made from and after the date hereof;

(H) fail to maintain its books, accounts and records in the usual manner on a basis consistent with that heretofore employed;

(I) enter into any new line of business;

(J) enter into any lease, contract or agreement pursuant to which the Company is obligated to pay or incur obligations of more than $1,000,000 per year, other than the purchase of inventory in the ordinary course of business; or

(K) authorize any of, or agree to commit to do any of, the foregoing actions.

(b) The Company shall, and the Company shall cause each of the Company Subsidiaries to, use its or their reasonable efforts to comply in all material respects with all Laws applicable to it or any of its properties, assets or business and maintain in full force and effect all the permits set forth in Section 2.19 of the Company Disclosure Schedule that are necessary for, or otherwise material to, such business.

4.2 *Notification of Certain Matters*. The Company shall give prompt notice to Purchaser if any of the following occur after the date of this Agreement: (i) receipt of any written notice from any third party alleging that the Consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, *provided* that such Consent would have been required to have been disclosed in this Agreement; (ii) receipt of any material written notice from any Governmental Authority in connection with the transactions contemplated by this Agreement; (iii) the occurrence of an event which would be reasonably likely to have a Company Material Adverse Effect or which the Company believes would or would be reasonably likely to cause or constitute a material breach of any of its representations, warranties or covenants contained herein; or (iv) the commencement or written threat of any Proceeding involving the Company or any Company Subsidiary which, if pending on the date hereof, would have been required to have been disclosed in this Agreement or which relates to the consummation of the Merger.

4.3 *Access and Information*. Between the date of this Agreement and the Effective Time, the Company will give, and shall direct its accountants and legal counsel to give, Purchaser and its respective authorized representatives (including, without limitation, its financial advisors, accountants and legal counsel), at all reasonable times, access as reasonably requested to all offices and other facilities and to all contracts, agreements, commitments, books and records of or pertaining to the Company and the Company Subsidiaries, will permit the foregoing to make such reasonable inspections as they may require and will cause its officers to furnish Purchaser with such financial and operating data and other information with respect to the business and properties of the Company and the Company Subsidiaries as Purchaser may from time to time reasonably request. In addition, between the date of this Agreement and the Effective Time, the Company shall permit Purchaser s senior officers

to meet with the officers of the Company responsible for the Financial Statements and the internal controls of the Company to discuss such matters as Purchaser may deem reasonably necessary or appropriate for Purchaser to satisfy its obligations under Sections 302 and 906 of Sarbanes-Oxley Act of 2002, as amended, and any rules and regulations relating thereto.

4.4 *Commercially Reasonable Efforts*. Subject to the terms and conditions herein provided, the Company agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the

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Merger and the other transactions contemplated by this Agreement, including, but not limited to, (i) obtaining all Consents from Governmental Authorities and other third parties required for the consummation of the Merger and the transactions contemplated hereby and (ii) timely making all necessary filings under the HSR Act. Upon the terms and subject to the conditions hereof, the Company agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to satisfy the other conditions to Closing set forth herein.

4.5 *Public Announcements*. So long as this Agreement is in effect, the Company shall not, and shall cause its affiliates not to, (a) issue or cause the publication of any press release or any other announcement or communication with respect to the Merger or the other transactions contemplated hereby without the written consent of Purchaser, or (b) discuss with the press or the media this Agreement, the Merger or the transactions contemplated hereby (and will refer any and all questions and inquiries to Purchaser), except in any case under (a) or (b) where such release or announcement is required by applicable Law, in which case the Company, prior to making such announcement, will consult with Purchaser regarding the same.

4.6 *Compliance*. In consummating the Merger and the other transactions contemplated hereby, the Company shall comply, and/or cause the Company Subsidiaries to comply or to be in compliance, in all material respects, with all applicable Law.

4.7 *Tax Opinion Certificate*. The Company shall execute and deliver to Company s and Purchaser s counsel a certificate as to such matters as are reasonably requested by such counsel in form and substance satisfactory to such counsel, dated on or about the date that is two business days prior to the date the Prospectus/Proxy Statement is mailed and again dated as of the Closing Date (the Company Tax Opinion Certificate) signed by an officer of the Company setting forth factual representations and covenants that will serve as a basis for the tax opinions required pursuant to Section 6.2(d) and Section 6.3(d) of this Agreement; *provided, however,* the Company shall not be required to execute such Company Tax Opinion Certificate if such representations are not true and correct as of such date.

4.8 *Other Tax-related Certificates*. The Company shall provide such certificates as may be required so that no withholding of taxes is required pursuant to Section 1445 of the Code.

4.9 *No Solicitation of Transactions*. The Company agrees that neither it nor any of its Subsidiaries shall, and that it shall use its commercially reasonable efforts to cause its and its Subsidiaries Representatives not to, directly or indirectly: (i) encourage, initiate, solicit or take any other action designed to, or which could reasonably be expected to, facilitate an Acquisition Proposal or the making, submission or announcement of, any Acquisition Proposal, (ii) participate or engage in any discussions or negotiations regarding, or furnish to any person any nonpublic information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to, any Acquisition Proposal, (iii) engage in discussions with any person with respect to any Acquisition Proposal, except to notify such person as to the existence of these provisions, (iv) approve, endorse or recommend any Acquisition Proposal with respect to it, or (v) enter into any letter of intent or similar document or any agreement, commitment or understanding contemplating or otherwise relating to any Acquisition Proposal or a transaction contemplated thereby.

4.10 *Tax Matters*. The following provisions shall govern the allocation of responsibility as among the Purchaser, Merger Sub and the Company for certain Tax matters following the Closing Date:

(a) *Pre-Closing Tax Periods*. The Purchaser and Company shall prepare or cause to be prepared and shall file or cause to be filed all Tax Returns for the Company and each Company Subsidiary for all Pre-Closing Tax Periods and Straddle Periods which are due (including with extensions) after the Closing Date. The Purchaser shall provide copies of such Tax Returns to the Seller Representative at least 30 days prior to their due date for their review and approval, such approval not to be unreasonably withheld. If the Seller Representative does not notify Purchaser of any objections at least 10 days prior to the due date of such Tax Returns, Purchaser may file such returns. The parties shall act in good faith to resolve any objections raised by the Company Stockholders

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and if not resolved within 5 days of the due date such objections shall be resolved by an independent accounting firm mutually agreeable to the parties. If such objections are not resolved by the due date of such Tax Return, Purchaser may file such Tax Return. When such objections are resolved, the Purchaser shall file or cause to be filed an amended Tax Return for the Company reflecting the resolution of such objections as may be requested by Seller Representative. Except as otherwise required by applicable Law, such Tax Returns for each of Company and each Company Subsidiary shall be prepared in a manner consistent with Tax Returns prepared and filed by the Company prior to the Closing Date. The Purchaser and Company shall be solely responsible for, and shall promptly pay, all Taxes of the Company with respect to such periods except to the extent such Taxes are due to a breach of the representation and warranty in Section 2.11(h).

(b) *Post-Closing Tax Periods*. The Purchaser shall prepare or cause to be prepared and file or cause to be filed any income Tax Returns of the Company Subsidiaries for any tax period which begins on or after the Closing Date. Except as otherwise required by applicable law, such income Tax Returns shall be prepared in a manner consistent with income Tax Returns prepared and filed prior to the Closing Date.

(c) *Tax Refunds*. The Purchaser acknowledges and agrees that any and all refunds of any Taxes paid by the Company Stockholders or the Company and any Company Subsidiary, respectively, in connection with all periods ending on or before the Closing Date shall be the property of the Company Stockholders except to the extent such Taxes were paid by the Company, Company Subsidiary or Purchaser after the Closing Date and such refunds, including interest thereon paid by any taxing authority, net of any additional Taxes imposed on the Purchaser or Merger Sub for any period ending after the Closing Date and which are attributable to the receipt of such refunds, shall be paid by the Purchaser to the Company Stockholders promptly after such refund is either received or credited against such liability of the Purchaser, Merger Sub or the Company Subsidiaries for Taxes.

(d) *Amended Returns and Audit*. Purchaser and Merger Sub acknowledge that no amended Tax Returns may be filed with respect to any Pre-Closing Period of the Company or any Company Subsidiary if such amended Tax Return will increase taxes payable by the Company or any Company Subsidiary for any Pre-Closing Period or by the Company Stockholders without the written consent of the Seller Representative which shall not be unreasonably withheld. No examination or other proceeding concerning the tax returns filed by the Company or any Company Subsidiary for any Pre-Closing Period may be settled without the consent of the Seller Representative if such settlement will increase the Taxes payable by the Company Stockholders or their indemnification obligation under this Agreement or the Seller Indemnity Agreement.

(e) *Cooperation on Tax Matters*. The Purchaser, the Company, the Company Subsidiaries and the Company Stockholders shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation of and filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party s request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Purchaser, Company, Merger Sub and the Shareholders agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any government authority as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereunder).

(f) *338 Election*. No election under Section 338 of the Code will be made with respect to the acquisition of the Company and the Company Subsidiaries.

4.11 *Regulation S-X Compliance*. Between the date hereof and the Closing, the Purchaser may, at Company s cost and expense, cause Moss Adams LLP to review the Financial Statements of Company and, based on such review, Purchaser may make all arrangements necessary to cause the Company s Financial Statements and books and records to be in compliance, at the Effective Time, with SEC Regulation S-X.

Company shall cooperate with Purchaser in making any such adjustments or modifications as Purchase may

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reasonably request in that regard but Purchaser shall be solely responsible for implementation of any measures required to cause the Company s Financial Statements and books and records to be in compliance, at or after the Effective Time, with SEC Regulation S-X.

4.12 *Review of Interim Balance Sheet*. Between the date hereof and the Closing, the Purchaser may, at Purchaser s cost and expense, cause Moss Adams LLP to review the Interim Balance Sheet. Company shall reasonably cooperate with Purchaser and Moss Adams LLP in connection with the foregoing.

4.13 *Update of Schedules*. Company shall promptly disclose to Purchaser any information contained in its representations and warranties or the Company Disclosure Schedule that is incomplete or is no longer correct as of all times after the date of this Agreement until the Closing Date; *provided, however*, that none of such disclosures, to the extent Purchaser reasonably determines that such disclosure has or may have a material adverse effect on the Company, shall be deemed to modify, amend or supplement the representations and warranties of Company or the Disclosure Schedules for the purposes of Article 2, unless Purchaser and Merger Sub shall have consented thereto in writing; *provided, further,* that, except for the provisions of Section 7.2(a), the sole remedy to Purchaser if it fails or refuses to consent to such an update shall be the right to terminate this Agreement by notice to Company within three (3) business days after receipt of the revised Company Disclosure Schedule.

5. ADDITIONAL COVENANTS OF PURCHASER AND MERGER SUB

Purchaser and Merger Sub covenant and agree as follows:

5.1 *Conduct of Business of the Purchaser and the Purchaser Subsidiaries*. (a) Unless Purchaser shall otherwise agree in writing and except as expressly contemplated by this Agreement or as set forth on Section 5.1 of the Purchaser Disclosure Schedule (the inclusion of any item having been consented to by Purchaser), during the period from the date of this Agreement to the Effective Time, (i) the Purchaser shall conduct, and it shall cause each of the Purchaser Subsidiaries to conduct, its or their businesses in the ordinary course, and the Purchaser shall, and it shall cause each of the Purchaser Subsidiaries to, use its or their commercially reasonable efforts to preserve intact its business organization, to keep available the services of its officers and key employees, and to maintain satisfactory relationships with all persons with whom it does business, and (ii) without limiting the generality of the foregoing, neither the Purchaser nor any Purchaser Subsidiary will, except in the ordinary course of business:

(A) amend or propose to amend its Organizational Documents;

(B) authorize for issuance, issue, grant, sell, pledge or dispose of any shares of, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell any shares of, the capital stock or other equity securities of the Purchaser or any Purchaser Subsidiary including, but not limited to, any securities convertible into or exchangeable for shares of stock of any class of the Purchaser or any Purchaser Subsidiary;

(C) split, combine or reclassify any shares of its capital stock or declare, pay or set aside any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, other than dividends or distributions to the Purchaser or any Purchaser Subsidiary, or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any shares of its capital stock or other securities and other than pursuant to commitments outstanding on the date of this Agreement in accordance with their present terms as set forth

on Section 5.1 of the Purchaser Disclosure Schedule;

(D) (i) create, incur, assume, forgive or make any changes to the terms or collateral of any debt for borrowed money, except incurrences that constitute refinancing of existing obligations on terms that are no less favorable to the Purchaser or the Purchaser Subsidiaries than the existing terms; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, indirectly, contingently or otherwise) for the obligations of any person other than in the ordinary course of business; (iii) make any capital

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expenditures other than as set forth in Section 5.1 of the Purchaser Disclosure Schedule; (iv) make any loans, advances or capital contributions to, or investments in, any other person (other than to a Purchaser Subsidiary and customary travel, relocation or business advances to employees); (v) except for the contemplated acquisition by Purchaser of all of the issued stock of Crabar/GBF, Inc., acquire the stock or assets of, or merge or consolidate with, any other person; (vi) voluntarily incur any material liability or obligation (absolute, accrued, contingent or otherwise) other than in the ordinary course of business; or (vii) sell, transfer, mortgage, pledge, or otherwise dispose of, or encumber, or agree to sell, transfer, mortgage, pledge or otherwise dispose of or encumber, any assets or properties, real, personal or mixed material to the Purchaser and the Purchaser Subsidiaries taken as a whole other than to secure debt permitted under subclause (i) of this clause (D) or other than in the ordinary course of business;

(E) increase in any manner the wages, salaries, bonus, compensation or other benefits of any of its officers or employees or enter into, establish, amend or terminate any employment, consulting, retention, change in control, collective bargaining, bonus or other incentive compensation, profit sharing, health or other welfare, stock option or other equity, pension, retirement, vacation, severance, termination, deferred compensation or other compensation or benefit plan, policy, agreement, trust, fund or arrangement with, for or in respect of, any shareholder, officer, director, other employee, agent, consultant or affiliate other than as required pursuant to the terms of agreements in effect on the date of this Agreement, or enter into or engage in any agreement, arrangement or transaction with any of its directors, officers, employees or affiliates;

(F) (i) commence or settle any litigation or other proceedings with any Governmental Authority or other person that involves an amount in controversy of over $1,000,000, or (ii) make or rescind any election relating to any Tax, settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, change any method of accounting or make any other material change in its accounting or Tax policies or procedures;

(G) knowingly commit or omit to do any act, which act or omission causes a breach of any covenant contained in this Agreement or is intended to cause any representation or warranty contained in this Agreement to become untrue in a material respect, as if each such representation and warranty were continuously made from and after the date hereof;

(H) fail to maintain its books, accounts and records in the usual manner on a basis consistent with that heretofore employed;

(I) enter into any new line of business;

(J) enter into any lease, contract or agreement pursuant to which the Purchaser is obligated to pay or incur obligations of more than $1,000,000 per year, other than the purchase of inventory in the ordinary course of business; or

(K) authorize any of, or agree to commit to do any of, the foregoing actions.

(b) The Purchaser shall, and the Purchaser shall cause each of the Purchaser Subsidiaries to, use its or their reasonable efforts to comply in all material respects with all Laws applicable to it or any of its properties, assets or business and maintain in full force and effect all the permits that are necessary for, or otherwise material to, such business.

5.2 *Access and Information*. Between the date of this Agreement and the Effective Time, Purchaser will give, and shall direct its accountants and legal counsel to give, the Company and its authorized representatives (including, without limitation, its financial advisors, accountants and legal counsel), at all reasonable times upon reasonable prior notice by the Company, access as reasonably requested to all contracts, agreements, commitments, books and records of or pertaining to Purchaser and the Purchaser Subsidiaries, will permit the foregoing to make such reasonable inspections as they may require and will cause its officers promptly to furnish the Company with (a) such financial and operating data and other information with respect to the business and properties of Purchaser and its Subsidiaries as the Company may from time to time reasonably request and (b) a copy of each material report, schedule and other document filed or received by Purchaser or any of its

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Subsidiaries pursuant to the requirements of applicable securities laws or the NYSE, all only to the extent reasonably required by the Company to facilitate and consummate the transactions contemplated by this Agreement.

5.3 *Notification of Certain Matters*. Purchaser shall give prompt notice to the Company if any of the following occur after the date of this Agreement: (i) receipt of any notice or other communication in writing from any third party alleging that the Consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, *provided* that such Consent would have been required to have been disclosed in this Agreement; (ii) receipt of any material notice or other communication from any Governmental Authority (including, but not limited to, the NYSE or any securities exchange) in connection with the transactions contemplated by this Agreement; (iii) the occurrence of an event which triggers any public reporting requirements of a material adverse effect or (iv) the commencement or written threat of any Proceeding involving or affecting Purchaser or any of its Subsidiaries, or any of their respective properties or assets, or, to its knowledge, any employee, agent, director or officer, in his or her capacity as such, of Purchaser or any of its Subsidiaries which, if pending on the date hereof, would have been required to have been disclosed in this Agreement or which relates to the consummation of the Merger.

5.4 *Commercially Reasonable Efforts*. Subject to the terms and conditions herein provided, Purchaser agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Merger and the other transactions contemplated by this Agreement, including, but not limited to, (i) obtaining all Consents from Governmental Authorities and other third parties required for the consummation of the Merger and the other transactions contemplated hereby and (ii) timely making all necessary filings under the HSR Act. Upon the terms and subject to the conditions hereof, Purchaser agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to satisfy the other conditions to Closing set forth herein.

5.5 *Public Announcements*. So long as this Agreement is in effect, the Purchaser shall not, and shall cause its affiliates not to, (a) issue or cause the publication of any press release or any other announcement or communication with respect to the Merger or the other transactions contemplated hereby without the written consent of the Company, or (b) discuss with the press or the media this Agreement, the Merger or the transactions contemplated hereby (and will refer any and all questions and inquiries to Purchaser), except in any case under (a) or (b) where such release or announcement is required by applicable Law or pursuant to any applicable listing agreement with, or rules or regulations of, NYSE, in which case the Purchaser, prior to making such announcement, will consult with the Company regarding the same.

5.6 *Compliance*. In consummating the Merger and the other transactions contemplated hereby, Purchaser shall comply in all material respects with the provisions of the Securities Exchange Act and the Securities Act and shall comply, and/or cause its Subsidiaries to comply or to be in compliance, in all material respects, with all applicable Laws.

5.7 *SEC and Stockholder Filings*. Purchaser shall send to the Company a copy of all material public reports and materials as and when it sends the same to its shareholders, the SEC or any state or foreign securities commission.

5.8 *Tax Opinion Certificate*. Purchaser shall execute and deliver to Company s and Purchaser s counsel a certificate as to such matters as are reasonably requested by such counsel in form and substance satisfactory to such counsel, dated on or about the date that is two business days prior to the date the Prospectus/Proxy Statement is mailed and again dated as of the Closing Date (the Purchaser Tax Opinion Certificate), signed by an officer of Purchaser setting forth factual representations and covenants that will serve as a basis for the tax opinions required pursuant to Section 6.2(d) and Section 6.3(d) of this Agreement; *provided, however*, Purchaser shall not be required to execute such Purchaser Tax Opinion Certificate if such representations are not true and correct as of such date.

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5.9 *Indemnification and Insurance*.

(a) As of the Effective Time, the indemnification and exculpation provisions contained in the Organizational Documents of the Surviving Entity shall be at least as favorable to individuals who immediately prior to the Closing Date were directors, officers, agents or employees of the Company or its Subsidiaries or otherwise entitled to indemnification under the Company s or its Subsidiaries Organizational Documents as those contained in the Organizational Documents of the Company or its Subsidiaries, respectively, and shall not be amended, repealed or otherwise modified for a period of six (6) years after the Closing Date in any manner that would adversely affect the rights thereunder of any of the individuals who are, or at any time have been, an officer, director, employee or agent of the Company or any of the Company Subsidiaries, or otherwise entitled to indemnification under the Company s or Company Subsidiary s Organizational Documents.

(b) If the Surviving Entity or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in each such case, proper provision shall be made so that the successors and assigns of the Surviving Entity assume the obligations set forth in this Section 5.8.

(c) Purchaser shall use its commercially reasonable efforts to obtain and maintain in effect for four (4) years from the Effective Time, the Company s current directors and officers liability insurance covering those persons who are covered by the Company s directors and officers liability insurance policy immediately prior to the Closing Date (a copy of which has heretofore been delivered to Purchaser); *provided, however*, that in no event shall Purchaser be required to expend in any year an amount in excess of 300% of the annual premiums currently paid by the Company for such insurance, and, *provided, further*, that if the annual premiums of such insurance coverage exceed such amounts, Purchaser shall obtain a policy with the greatest coverage available for a cost not exceeding such amount.

5.10 *Shareholder Approval*. As soon as practicable after the Registration Statement has been declared effective, the Purchaser shall call, give notice of, convene and hold a meeting of its shareholders for the purpose of approving the Proposals and for such other purposes as may be necessary or desirable in connection with effectuating the transactions contemplated hereby and, subject to the fiduciary duties of the Board of Directors of Purchaser under applicable law based on advice by outside counsel, (i) recommend approval of such issuance by the Purchaser Stockholders and include in the Proxy Statement such recommendation, and (ii) take all reasonable and lawful action to solicit and obtain such approval. Parent and the Company, as promptly as practicable (or with such other timing as Parent and the Company mutually agree), shall cause the definitive Proxy Statement to be mailed to the Purchaser Stockholders.

5.11 *Board Representation*. For so long as the Company Stockholders hold, in the aggregate, at least ten percent (10%) of Purchaser Stock, at least one (1) representative of the Company Stockholders (Board Representative) will be recommended to the Purchaser s Nominating and Corporate Governance Committee by the Chairman of the Board of Purchaser for nomination as a director of the Purchaser, in accordance with the Sarbanes-Oxley Act of 2002, as amended, the rules of NYSE and the Purchaser s Charter of the Nominating and Corporate Governance Committee, including those relating to the independence of directors. In the event such Board Representative fails to be nominated or otherwise be voted to serve on Purchaser s Board of Directors, such Board Representative shall be permitted to observe all meetings of the Purchaser s Board of Directors and shall be given notice of such meetings as if such Board Representative were an actual member of the Board of Directors.

5.12 *Repayment of Certain Company Indebtedness*. At the Closing, Purchaser shall repay all but $10,000,000 of the outstanding principal and accrued interest of the indebtedness of the Company described in Section 5.12 of the Company Disclosure Schedule. The promissory note(s) evidencing the aforementioned $10,000,000 shall be deposited into escrow pursuant to the terms of the Escrow Agreement.

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5.13 *Release of Guarantees*. At the Closing, Purchaser shall cause the guarantees set forth in Section 5.13 of the Company Disclosure Schedule to be released or otherwise replace the guarantors set forth therein (the Former Guarantors), and, from and after the Closing Date, Purchaser shall indemnify and hold harmless the Former Guarantors from and against any liability and any cost arising under such guarantees.

5.14 *Tax Matters*. Purchaser and Surviving Entity shall comply with the provisions, terms and conditions set forth in Section 4.10.

5.15 *No Solicitation of Transactions*. The Purchaser agrees that neither it nor any of the Purchaser Subsidiaries shall, and that it shall use its commercially reasonable efforts to cause its and its Subsidiaries not to, directly or indirectly: (i) encourage, initiate, solicit or take any other action designed to, or which could reasonably be expected to, facilitate an Acquisition Proposal or the making, submission or announcement of, any Purchaser Acquisition Proposal, (ii) participate or engage in any discussions or negotiations regarding, or furnish to any person any nonpublic information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to, any Purchaser Acquisition Proposal, (iii) engage in discussions with any person with respect to any Purchaser Acquisition Proposal, except to notify such person as to the existence of these provisions, (iv) approve, endorse or recommend any Purchaser Acquisition Proposal with respect to it, or (v) enter into any letter of intent or similar document or any agreement, commitment or understanding contemplating or otherwise relating to any Purchaser Acquisition Proposal or a transaction contemplated thereby, subject, in each case, to the fiduciary duties of the Purchaser s Board of Directors.

5.16 *Payment of Shareholder Tax Distribution*. On or before December 31, 2004, Purchaser, Merger Sub and the Seller Representative shall compute the Deemed Tax Due with respect to the Company Stockholders for the period from January 1, 2004 through the Effective Time (the Centrum Ownership Period). In the event that Purchaser, Merger Sub and the Seller Representative are unable to agree on the amount of the Deemed Tax Due for the Centrum Ownership Period, then the parties shall refer the determination of Deemed Tax Due to an independent public accounting firm for resolution. On or before January 5, 2005, Merger Sub shall distribute to the Company Stockholders that amount which shall be the lesser of: (i) the Deemed Tax Due for the Company Stockholders for the Centrum Ownership Period; and (ii) the amount which had been accrued on the Company s books and records as of the Effective Time as a reserve for taxes to be paid by the Company Shareholders.

5.17 *Update of Schedules*. Purchaser shall promptly disclose to Company any information contained in its representations and warranties or the Purchaser Disclosure Schedule that is incomplete or is no longer correct as of all times after the date of this Agreement until the Closing Date; *provided, however*, that none of such disclosures, to the extent Company reasonably determines that such disclosure has or may have a material adverse effect on Purchaser, shall be deemed to modify, amend or supplement the representations and warranties of Purchaser or the Disclosure Schedules for the purposes of Article 2, unless Purchaser and Merger Sub shall have consented thereto in writing; *provided, further*, that, except for the provisions of Section 7.2(a), the sole remedy to Purchaser if it fails or refuses to consent to such an update shall be the right to terminate this Agreement by notice to Purchaser within three (3) business days after receipt of the revised Purchaser Disclosure Schedule.

6. CONDITIONS TO CLOSING; SIGNING DELIVERIES

6.1 *Conditions to Each Party s Obligations*. The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

(a) *Stockholder Approval*. The Proposals shall have been approved at or prior to the Effective Time by the requisite vote of the stockholders of the Purchaser required under the TCBA and the rules and regulations of the NYSE, as applicable.

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(b) *No Injunction or Action*. No order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been enacted, entered, promulgated or enforced by any court or other Governmental Authority since the date of this Agreement which prohibits or prevents the consummation of the Merger which has not been vacated, dismissed or withdrawn prior to the Effective Time. The Company, Merger Sub and Purchaser shall use their commercially reasonable efforts to have any of the foregoing vacated, dismissed or withdrawn by the Effective Time.

(c) *HSR Act*. Any waiting period applicable to the Merger under the HSR Act shall have expired or early termination thereof shall have been granted.

(d) *Registration Statement*. The Registration Statement shall have been declared effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no action, suit, proceeding or investigation for that purpose shall have been initiated or threatened by any Governmental Authority.

(e) *Blue Sky*. Purchaser and Merger Sub shall have received all state securities law authorizations necessary to consummate the transactions contemplated hereby.

(f) *Listing of Purchaser Stock*. The shares of Purchaser Stock comprising the Merger Consideration shall have been approved for listing on the NYSE, subject only to official notice of issuance.

(g) *Governmental Approval*. All Consents of any Governmental Authority required for the consummation of the Merger and the transactions contemplated by this Agreement shall have been obtained, except those Consents the failure of which to obtain will not be reasonably likely to have a Company Material Adverse Effect or a Purchaser Material Advise Effect.

6.2 *Conditions to Obligations of the Company*. The obligation of the Company to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by the Company:

(a) *Purchaser Representations and Warranties*. The representations and warranties of Purchaser and Merger Sub set forth in this Agreement shall be true and correct in all material respects as of date hereof and as of the Closing Date as if made on and as of the Closing Date, except those representations and warranties that speak of an earlier date, which shall be true and correct in all material respects as of such earlier date. Notwithstanding anything to the contrary in this Agreement, this Section 6.2(a) will be deemed to have been satisfied even if such representations or warranties are not true and correct in all material respects unless the failure of any of the representations or warranties to be so true and correct shall have had, or shall be reasonably likely to have, a material adverse effect on Purchaser.

(b) *Performance by Purchaser and Merger Sub*. Purchaser and Merger Sub shall have performed and complied with all the covenants and agreements in all material respects and satisfied in all material respects all the conditions required by this Agreement to be performed or complied with or satisfied by Purchaser and Merger Sub at or prior to the Effective Time. Notwithstanding anything to the contrary in this Agreement, this Section 6.2(b) will be deemed to have been satisfied even if Purchaser or Merger Sub has not performed or complied with all agreements, covenants and obligations required by this Agreement to be so performed or complied with unless the failure to perform or comply with such agreements, obligations and covenants shall have had, or shall be reasonably likely to have, a material adverse effect on Purchaser.

(c) *Certificates and Other Deliveries*. Purchaser and Merger Sub shall have delivered, or caused to be delivered, to the Company: (i) a certificate executed on their respective behalf by their respective President or another authorized officer to the effect that the conditions set forth in Sections 6.2(a) and (b) hereof have been satisfied; (ii) a certificate of good standing from the Secretary of State of the State of Delaware or the State of Texas, as applicable, stating that Merger Sub and Purchaser are validly existing corporations in good standing; (iii) duly adopted resolutions of the Board of Directors of Purchaser and Merger Sub adopting and approving the

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Merger and adopting and approving the execution, delivery and performance of this Agreement and the instruments contemplated hereby, each certified by their respective Secretaries; (iv) a true and complete copy of the Articles/Certificate of Incorporation of the Purchaser and Merger Sub, certified by the Secretary of State of Texas and the State of Delaware, as applicable, and a true and complete copy of the Bylaws of the Purchaser and Merger Sub certified by their respective Secretaries**;** and (v) the duly executed Purchaser Tax Opinion Certificate and the Purchaser s Tax Opinion.

(d) *Tax Opinion*. The Company Stockholders shall have received an opinion from its tax counsel dated on or about the date that is two business days prior to the date the Prospectus/Proxy Statement is first mailed to stockholders of Purchaser, substantially in the form of *Exhibit 6.2(d)* attached hereto, which opinion shall not have been withdrawn or modified in any material respect, and again dated as of the Closing Date. For purposes of rendering its opinion, the Company s tax counsel may rely on the statements and representations set forth in the Company Tax Opinion Certificate and the Purchaser Tax Opinion Certificate, without regard to any qualification as to knowledge and belief.

(e) *Opinion of Purchaser s Counsel*. The Company shall have received an opinion from the Purchaser s counsel dated as of the Closing Date, substantially in the form of *Exhibit 6.2(e)* attached hereto.

(f) *Mutual Release and Waiver*. Purchaser and Company shall have executed and delivered to the Company Stockholders a Mutual Release and Waiver in a form to be mutually agreed to between Purchaser and the Company Stockholders (the Release).

(g) *Noncompetition Agreement*. Certain of the Company Stockholders shall have received a Noncompetition Agreement executed by the Purchaser and Merger Sub, substantially in the form of *Exhibit 6.2(g)* attached hereto (the Noncompetition Agreement).

(h) *Amendment of Rights Plan*. Purchaser shall have delivered evidence to Company that it has amended its Rights Agreement dated November 4, 1998, as amended, between the Purchaser and Harris Trust and Savings Bank, as Rights Agent, in order to permit the Merger and the transactions contemplated hereby without causing the issuance of any Preferred Stock.

6.3 *Conditions to Obligations of Purchaser and Merger Sub*. The obligations of Purchaser and Merger Sub to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by Purchaser:

(a) *Company Representations and Warranties*. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of date hereof and as of the Closing Date as if made on and as of the Closing Date, except those representations and warranties that speak of an earlier date, which shall be true and correct in all material respects as of such earlier date. Notwithstanding anything to the contrary in this Agreement, this Section 6.3(a) will be deemed to have been satisfied even if such representations or warranties are not true and correct in all material respects unless the failure of any of the representations or warranties to be so true and correct shall have had, or shall be reasonably likely to have, a Company Material Adverse Effect.

(b) *Performance by the Company*. The Company shall have performed and complied with all the covenants and agreements in all material respects and satisfied in all material respects all the conditions required by this Agreement to be performed or complied with or satisfied by the Company at or prior to the Effective Time. Notwithstanding anything to the contrary in this Agreement, this Section 6.3(b) will be deemed to

have been satisfied even if the Company has not performed or complied with all agreements, covenants and obligations required by this Agreement to be so performed or complied with unless the failure to perform or comply with such agreements, obligations and covenants shall have had, or shall be reasonably likely to have, a Company Material Adverse Effect.

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(c) *Certificates and Other Deliveries*. The Company shall have delivered, or caused to be delivered, to Purchaser (i) a certificate executed on its behalf by its President or another duly authorized officer to the effect that the conditions set forth in Sections 6.3(a) and (b) hereof have been satisfied; (ii) a certificate of good standing from the Secretary of State of the State of Delaware stating that the Company is a validly existing corporation in good standing; (iii) duly adopted resolutions of its Board of Directors adopting and approving the Merger and adopting and approving the execution, delivery and performance of this Agreement and the instruments contemplated hereby, and of the Company Stockholders approving the Proposals, each certified by the Secretary of the Company; and (iv) a true and complete copy of the Certificates of Incorporation of the Company certified by the Secretary of State of the State of Delaware and a true and complete copy of the Bylaws of the Company certified by the Secretary thereof; and (v) the duly executed Company Tax Opinion Certificate and the Tax Opinion.

(d) *Tax Opinion*. Purchaser shall have received an opinion from its tax counsel dated on or about the date that is two business days prior to the date the Prospectus/Proxy Statement and Registration Statement is first mailed to stockholders of the Purchaser, substantially in the form of *Exhibit 6.3(d)* attached hereto to the effect that the Merger will qualify as a reorganization pursuant to §368(a) of the Code and that the statements in the Registration Statement under the caption Certain Federal Income Tax Considerations are true and correct, which opinion shall not have been withdrawn or modified in any material respect, and again dated as of the Closing Date. For purposes of rendering its opinion, the Purchaser s tax counsel may rely on the statements and representations set forth in the Company Tax Opinion Certificate and the Purchaser Tax Opinion Certificate, without regard to any qualification as to knowledge and belief.

(e) *Required Consents*. The required Consents of the persons to the Merger or the transactions contemplated hereby that are identified in Section 6.3(e) of the Company Disclosure Schedule shall have been obtained and shall be in full force and effect.

(f) *Opinion of Company s Counsel*. The Purchaser and Merger Sub shall have received an opinion from the Company s counsel dated as of the Closing Date, substantially in the form of *Exhibit 6.3(f)* attached hereto.

(g) *Noncompetition Agreement*. The Purchaser and Merger Sub shall have received the Noncompetition Agreement executed by certain of the Company Stockholders.

(h) *Termination of Shareholders Agreement*. Each of the Company and the Company Stockholders shall have taken any and all action necessary to terminate the Shareholders Agreement

(i) *Mutual Release and Waiver*. The Company Stockholders shall have executed and delivered to Purchaser the Release.

(j) *Resignations*. The written resignations of each officer and director of the Company and each Company Subsidiary from any and all offices or positions held with the Company.

(k) *Breach of Stock Purchase Agreement*. To Company s knowledge, there shall not have been any material breach of any representation, warranty or covenant by any party under the Stock Purchase Agreement.

(l) *Standstill Agreement*. Each Company Stockholder shall have entered into a Standstill Agreement substantially in the form on *Exhibit 6.3(l)* attached hereto.

(m) *Mexican Acquisition*. Company shall deliver evidence to Purchaser that it has consummated the acquisition of the stock of the Mexican Companies and the limited liability company interests of Diaco USA LLC (the Mexican Acquisition).

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6.4 *Deliveries to be made Contemporaneously Herewith*. The following documents shall be executed and delivered contemporaneously herewith:

(a) *Seller Indemnity Agreement*. Certain of the Company Stockholders shall have executed an Indemnity Agreement for the benefit of Purchaser and Merger Sub, substantially in the form of *Exhibit 6.4(a)* attached hereto (Seller Indemnity Agreement).

(b) *Purchaser Indemnity Agreement*. Purchaser and Merger Sub shall have executed an Indemnity Agreement for the benefit of the Company Stockholders, substantially in the form of *Exhibit 6.4(b)* attached hereto (Purchaser Indemnity Agreement).

(c) *First Amendment Agreement*. Amin Amdani, Rauf Gajiani, Company, Purchaser and Merger Sub shall have executed a First Amendment Agreement, substantially in the form of *Exhibit 6.4(c)* attached hereto (the First Amendment Agreement).

(d) *Registration Rights Agreement*. Purchaser and each Company Stockholder shall have entered into a Registration Rights Agreement substantially in the form on *Exhibit 6.4(d)* attached hereto.

6.5 *Frustration of Conditions*. None of Purchaser, Merger Sub or the Company may rely on the failure of any condition set forth in this Article 6 to be satisfied if such failure was caused by such party s failure to comply with or perform any of its covenants or obligations set forth in this Agreement.

7. TERMINATION AND ABANDONMENT

7.1 *Termination*. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the stockholders of the Purchaser:

(a) By mutual written consent of Purchaser, Merger Sub and the Company.

(b) By either Purchaser or the Company if:

(i) the Merger shall not have been consummated on or prior to November 30, 2004 (the Closing Deadline), *provided, however*, that the right to terminate this Agreement pursuant to this Section 7.1(b)(i) shall not be available to any party whose failure to perform any of its obligations under this Agreement results in the failure of the Merger to be consummated by such time;

(ii) after the Purchaser has called, given notice of, duly convened and held a meeting as required pursuant to Section 5.9, the vote of the Purchaser s stockholders taken at such meeting or at any adjournment or postponement thereof, shall be insufficient to approve the Proposals; or

(iii) any Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the consummation of the Merger and such order, decree or ruling or other action shall have become final and nonappealable.

(c) By Purchaser if the Company shall have breached in any material respect any of its representations, warranties or covenants under this Agreement, such breach shall constitute a Company Material Adverse Effect, Purchaser shall have given written notice to the Company of such breach promptly after learning of the same, and such breach of a covenant shall not be reasonably cured on or prior to the Closing Deadline.

(d) By the Company if the Purchaser or Merger Sub shall have breached in any material respect any of its representations, warranties or covenants under this Agreement, and such breach shall constitute a material adverse effect on Purchaser, the Company shall have given written notice to the Purchaser and Merger Sub of such breach promptly after learning of the same, and such breach of a covenant shall not be reasonably cured on or prior to the Closing Deadline.

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(e) By Purchaser pursuant to Section 4.13.

(f) By Company pursuant to Section 5.17.

(g) By Purchaser in its sole and absolute discretion if Purchaser is provided with a supplement under Section 2(g) of the First Amendment Agreement from Amin Amdani or Rauf Gajiani.

The party desiring to terminate this Agreement pursuant to the preceding paragraphs shall give written notice of such termination to the other party in accordance with Section 8.5 hereof.

7.2 *Effect of Termination and Abandonment*.

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article 7, this Agreement (other than Sections 7.2, 8.1, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.10, 8.11, 8.12, 8.13, 8.14 and 8.15) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal or financial advisors or other representatives); *provided, however*, that no such termination shall relieve any party hereto from any liability for any breach of this Agreement prior to termination. Notwithstanding the foregoing, (a) in no event shall the Company be liable or responsible for any breach of any representation, warranty or covenant unless the Purchaser terminates the Agreement on the basis of such breach and in the case of breaches of any representation or warranty the Company s liability shall, with respect to monetary damages, be limited to the lesser of the actual damages incurred by the Purchaser and Merger Sub as a direct result of such breaches and $5,000,000; and (b) in no event shall the Purchaser or Merger Sub be liable or responsible for any breach of any representation, warranty or covenant unless the Company terminates the Agreement on the basis of such breach and in the case of breaches of any representation, warranty or covenant the Purchaser s and Merger Sub s liability shall, with respect to monetary damages, be limited to the lesser of the actual damages incurred by the Company as a direct result of such breaches and $5,000,000; *provided, however*, that the foregoing limitations contained in the foregoing sub-sections (a) and (b) shall in no event apply in connection with any willful breach of a material covenant in this Agreement resulting in the failure of the closing of the Merger. If this Agreement is terminated as provided herein, each party shall use its commercially reasonable efforts to redeliver all documents, work papers and other material (including any copies thereof) of any other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to the party furnishing the same.

(b) In the event of any termination of this Agreement pursuant to this Article 7, neither Purchaser nor Company (nor their respective Subsidiaries) shall, directly or indirectly, hire or solicit for employment any officer or key management employee of the other. For the purposes of this Agreement, the term key management employee means any employee of Company or any Company Subsidiary, on the one hand, or Purchaser or any Purchaser Subsidiary on the other hand, who has significant day-to-day responsibility in the management of the business of such Person or who otherwise possess knowledge or information that would make such employee difficult to replace.

8. MISCELLANEOUS

8.1 *Confidentiality*. Unless (i) otherwise expressly provided in this Agreement, (ii) required by applicable Law or any listing agreement with, or the rules and regulations of, any applicable securities exchange, (iii) necessary to secure any required Consents as to which the other party has been advised or (iv) consented to in writing by Purchaser and the Company, any information or documents furnished in connection herewith shall be kept strictly confidential by the Company, Purchaser and Merger Sub and their respective officers, directors, employees and agents. Prior to any disclosure pursuant to the preceding sentence, the party intending to make such disclosure shall consult with the other party regarding the nature and extent of the disclosure. Nothing contained herein shall preclude disclosures to the extent necessary to comply with accounting, SEC and other disclosure obligations imposed by applicable Law. To the extent required by such disclosure obligations,

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Purchaser or the Company, after consultation with the other party, may file with the SEC a Report on Form 8-K pursuant to the Securities Exchange Act with respect to the Merger. In connection with any filing with the SEC of a proxy statement or amendment thereto under the Securities Exchange Act, the Company or Purchaser, after consultation with the other party, may include any information required to be included therein with respect to the Merger with respect to the other party, and thereafter distribute said proxy statement. Purchaser and the Company shall cooperate with the other and provide such information and documents as may be required in connection with any such filings. In the event the Merger is not consummated, each party shall return to the other any documents furnished by the other and all copies thereof any of them may have made and will hold in absolute confidence any information obtained from the other party except to the extent (i) such party is required to disclose such information by Law or such disclosure is necessary or desirable in connection with the pursuit or defense of a claim, (ii) such information was known by such party prior to such disclosure or was thereafter developed or obtained by such party independent of such disclosure or (iii) such information becomes generally available to the public other than by breach of this Section 8.1. Prior to any disclosure of information pursuant to the exception in clause (i) of the preceding sentence, the party intending to disclose the same shall so notify the party which provided the name in order that such party may seek a protective order or other appropriate remedy should it choose to do so.

8.2 *Amendment and Modification*. This Agreement may be amended, modified or supplemented only by a written agreement between the Company and Purchaser.

8.3 *Waiver of Compliance; Consents*. Any failure of Company, Purchaser or Merger Sub to comply with any obligation, covenant, agreement or condition herein may be waived by the other party, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 8.3.

8.4 *Survival*. The respective representations, warranties, covenants and agreements of the Company, Purchaser and Merger Sub contained herein or in any certificates or other documents delivered prior to or at the Closing shall survive the execution and delivery of this Agreement, notwithstanding any investigation made or information obtained by the other party, as provided in the Seller Indemnity Agreement and in the Purchaser Indemnity Agreement.

8.5 *Notices*. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, receipt confirmed, or on the next business day when sent by overnight courier or on the second succeeding business day when sent by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to the Company, to:

c/o Centrum Properties, Inc.
225 W. Hubbard St, Suite 4th Fl.
Chicago, IL 60606
Attention: John McLinden

with a copy to (but which shall not constitute notice to the Company):

Gardner Carton & Douglas LLP
191 N. Wacker Drive
Suite 3700
Chicago, Illinois 60606-1698
Attention: Kenneth Hartmann, Esq.

and

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(ii) if to Purchaser or Merger Sub to:

Ennis, Inc.
2441 Presidential Pkwy
Midlothian, TX 76065
Attention: Keith S. Walters
Chairman, President and CEO

and an additional copy to (but which shall not constitute notice to Purchaser or Merger Sub):

Kirkpatrick & Lockhart LLP
2828 N. Harwood Street
Suite 1800
Dallas, Texas 75201
Attention: Norman R. Miller, Esq.

8.6 *Binding Effect; Assignment*. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto prior to the Effective Time without the prior written consent of the other parties hereto.

8.7 *Expenses*. Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses.

8.8 *Governing Law*. This Agreement shall be deemed to be made in, and shall be interpreted, construed and governed by and in accordance with the internal laws of, the Laws of the State of Delaware, without regard to principles of conflicts of law thereof. Each of the Company, Purchaser and Merger Sub hereby irrevocably and unconditionally consents to submit to the jurisdiction of the federal and state courts located in the City of Los Angeles, California for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in such courts and agrees not to plead or claim in any such court that such litigation brought therein has been brought in an inconvenient forum.

8.9 *Counterparts*. This Agreement may be executed in one or more counterparts, each of which together be deemed an original, but all of which together shall constitute one and the same instrument.

8.10 *Interpretation*. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement, (i) the term person shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an association, an unincorporated organization, a Governmental Authority and any other entity, (ii) unless otherwise specified herein, the term affiliate, with respect to any person, shall mean and include any person controlling, controlled by or under common control with such person, (iii) the term knowledge, when used with respect to the Company, shall mean the actual knowledge of the executive officers (or such other Person as may be specified in a particular provision) of the Company, and when used with respect to Purchaser or Merger Sub, shall mean the actual knowledge of

the executive officers (or such other Person as may be specified in a particular provision) of Purchaser, and (iv) the term including shall mean including, without limitation . This Agreement is being entered into by and among competent and sophisticated parties who are experienced in business matters and represented by counsel and other advisors, and have been reviewed by the parties and their counsel and other advisors. Therefore, any ambiguous language in this Agreement will not necessarily be construed against any particular party as the drafter of the language.

8.11 *Entire Agreement*. This Agreement, the Purchaser Indemnity Agreement, the Seller Indemnity Agreement and the other documents or instruments referred to herein including, but not limited to, the Exhibit(s)

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attached hereto and the Disclosure Schedules referred to herein, which Exhibit(s) and Disclosure Schedules are incorporated herein by reference, embody the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and the understandings between the parties with respect to such subject matter.

8.12 *Severability*. In case any provision in this Agreement shall be held invalid, illegal or unenforceable in a jurisdiction, such provision shall be modified or deleted, as to the jurisdiction involved, only to the extent necessary to render the same valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby nor shall the validity, legality or enforceability of such provision be affected thereby in any other jurisdiction.

8.13 *Specific Performance*. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the parties further agree that each party shall be entitled to an injunction or restraining order to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other right or remedy to which such party may be entitled under this Agreement, at law or in equity.

8.14 *Third Parties*. Nothing contained in this Agreement or in any instrument or document executed by any party in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any person or entity that is not a party hereto or thereto or a successor or permitted assign of such a party; *provided, however*, that the parties hereto specifically acknowledge that (a) the provisions of this Agreement are for the benefit of, and shall be enforceable by, the stockholders of the Company and (b) the provisions of Section 5.8 hereof are intended to be for the benefit of, and shall be enforceable by, the current or former employees, officers and directors of the Company and/or the Company Subsidiaries affected thereby and their heirs and representatives.

8.15 *Disclosure Schedules*. The Company, Purchaser and Merger Sub acknowledge that the Company Disclosure Schedule and the Purchaser Disclosure Schedule (i) relate to certain matters concerning the disclosures required and transactions contemplated by this Agreement, (ii) are qualified in their entirety by reference to specific provisions of this Agreement and (iii) are not intended to constitute and shall not be construed as indicating that such matter is required to be disclosed, nor shall such disclosure be construed as an admission that such information is material with respect to the Company or Purchaser.

9. DEFINED TERMS

9.1 *Specific Defined Terms*. For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 9.1:

Accounts Receivable accounts receivable of the Company and each Company Subsidiary that are reflected on the Balance Sheet or the Interim Balance Sheet or on the accounting records of the Company and each Company Subsidiary as of the Closing Date, other than Factored Accounts.

Acquired Facilities means the Facilities listed on Section 2.6 of the Company Disclosure Schedule.

Acquisition Proposal means any inquiries or proposals regarding any merger, recapitalization, sale of substantial assets, sale or exchange of shares of capital stock, including but not limited to, sale or exchange of the shares of Company Stock, or similar transactions involving the Company or any Company Subsidiary other than the transactions set forth in this Agreement.

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Applicable Contract any Contract (a) under which the Company or any Company Subsidiary has or may acquire any rights, (b) under which the Company or any Company Subsidiary has or may become subject to any obligation or liability, or (c) by which the Company or any Company Subsidiary or any of the assets owned or used by it is or may become bound.

A/R Basket an amount equal to the sum of (i) all reserves set forth on the Financial Statements for Accounts Receivable and the Factored Accounts and (ii) five percent (5%) of the Accounts Receivable and the Factored Accounts.

Assets the businesses and all of the assets of the Company and the Company Subsidiaries as of the date of execution of this Agreement; the term Assets includes any and all real property, Intellectual Property Assets, personal property, inventory, Accounts Receivable, Factored Accounts, supplies, rights under any contracts, customer lists, supplier lists, computer software programs, permits, licenses, and any and all equity interests owned by the Company and/or the Company Subsidiaries.

Business the business of Company and the Company Subsidiaries.

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

Cleanup investigation, cleanup, removal, containment, or other remediation or response actions. As used in this definition, the terms removal, remedial, and response action, include the types of activities covered by CERCLA or, with respect to the Mexican Companies, the Mexican Ecology Law.

Code the Internal Revenue Code of 1986 or any successor law, and regulations issued by the IRS pursuant to the Internal Revenue Code or any successor law; or, solely with respect to the Mexican Companies, the Tax Code of the Federation (*Codigo Fiscal de la Federacion*), the Income Tax Law (*Ley de Impuesto al Sobre la Renta*), the Value Added Tax Law (*La Ley del Impuesto al Valor Agregado*) and the Asset Tax Law (*La Ley del Impuesto Activo*).

Company Stockholders means the owners of the Company Stock, in such amounts and as set forth on Section 9.1 of the Company Disclosure Schedule.

Company Subsidiary Any Subsidiary of the Company and any of their respective Subsidiaries including the Mexican Companies upon consummation of the Mexican Acquisition.

Consent any consent, approval, waiver or authorization of, notice to or declaration or filing.

Contract any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

Cotton Yarn Claims any claims or chose in action that may exist against Parkdale America, Inc. and any other Person that supplied cotton yarn to the Company and any of the Company Subsidiaries prior to the Closing Date, and/or their respective officers, directors, employees, agents and other related parties.

Deemed Tax Due means the sum of the following calculations, which are to be made for all shareholders of the Company; the product of: (i) the taxable income of the Company; and (ii) the Deemed Tax Rate. In no event shall the Deemed Tax Due be a number that is less than $0.00.

Deemed Tax Rate shall mean forty-two percent (42%).

Encumbrance any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

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

Environmental, Health, and Safety Liabilities any cost, damages, expense, liability, obligation, or other responsibility arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

(b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any Cleanup required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Authority or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective, investigative, or remedial measures required under Environmental Law or Occupational Safety and Health Law.

As used in the sections of this Agreement which concern Environmental Law or Occupational Safety and Health Law, the terms removal, remedial, and response action, include the types of activities covered by CERCLA.

Environmental Law any Law that requires or relates to:

(a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) protecting resources, species, or ecological amenities;

(e) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(f) cleaning up pollutants that have been released, preventing the threat of release, or paying the costs of such clean up or prevention; or

(g) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

Solely with respect to the Mexican Companies, Environmental Law shall include, but is not limited to, the Mexican Ecology Law.

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

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Escrow Agreement shall have the meaning set forth in the Seller Indemnity Agreement.

Facilities any real property, leaseholds, or other interests currently owned or operated by the Company or any Company Subsidiary, and any buildings, plants, structures, or equipment (including motor vehicles) currently owned or operated by any the Company or any Company Subsidiary.

Factored Accounts Accounts Receivable which have been pledged, sold or transferred to a third party commercial factor.

Fixed Asset List the fixed asset list which was utilized by the Company s accountants in the preparation of the Balance Sheet and which has been delivered to the Buyer and formally identified as the Fixed Asset List. The Fixed Asset List is attached to this Agreement as Section 9.2 of the Company Disclosure Schedule.

GAAP generally accepted United States accounting principles, consistently applied.

Governmental Authority any:

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

(b) federal, state, local, municipal, foreign, or other government; governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal); or

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

Governmental Authorization any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

Hazardous Activity the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about, or from the Facilities or any part thereof into the Environment, and any other act, business, operation, or thing that increases the danger, or risk of danger, or poses an unreasonable risk of harm to persons or property on or off the Facilities, or that may affect the value of the Facilities, the Company or any Company Subsidiary; *provided, however,* that, with respect to the Company or any Company Subsidiary, Hazardous Activity shall only include the foregoing since November 10, 2003.

Hazardous Materials any waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials, and, solely with respect to the Mexican Companies, residuous peligrosos as defined in Article 3 (Section XXVI) of the Mexican Ecology Law.

HSR Act the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

Inventory Basket an amount equal to five percent (5%) of the inventory of the Company set forth on the Interim Balance Sheet.

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IRS the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

Law any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

Mexican Companies means, only effective upon consummation of the Mexican Acquisition, the following entities: (a) Alvest S.A. de C.V.; (b) Cactex de Mexico S.A. de C.V.; (c) Alstyle Internacional de Mexico, S.A. de C.V.; (d) Diaco Internacional S.A. de C.V.; and (e) any successors, whether by merger, business consolidation or otherwise, of any of the foregoing.

Mexican Ecology Law the General Law of Ecological Equilibrium and Environmental Protection (*La Ley General del Equilibrio Ecologico y la Protección al Ambiente*).

Noncompetition Consideration means the sum of $400,000, to be paid in accordance with, and as consideration for, the agreement of certain Company Stockholders to enter into the Noncompetition Agreement.

Occupational Safety and Health Law any Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

Order any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Authority or by any arbitrator.

Ordinary Course of Business an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person.

Organizational Documents (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the certificate of formation and the operating agreement of a limited liability company; (d) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (e) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; (f) any amendment to any of the foregoing; and (g) solely with respect to the Mexican Companies, the *Estatutos Sociales*.

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

Pre-Closing Tax Period means any Tax period or portion thereof ending on or before the Closing Date, *provided* that any transaction occurring after the Effective Time shall be considered to occur in the Post-Closing Tax Period.

Post-Closing Tax Period means any Tax period or portion thereof beginning after the Closing Date.

Proceeding any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

Purchaser Accounts Receivable accounts receivable of the Purchaser and each Purchaser Subsidiary that are reflected on the Purchaser Financial Statements or on the accounting records of the Purchaser and each Purchaser Subsidiary as of the Closing Date.

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Purchaser Acquisition Proposal means any inquiries or proposals regarding any merger, recapitalization, sale of substantial assets, sale or exchange of shares of capital stock, including but not limited to, sale or exchange of the shares of Purchaser Stock, or similar transactions involving the Purchaser or any Purchaser Subsidiary other than the transactions set forth in this Agreement.

Purchaser Applicable Contract any Contract (a) under which the Purchaser or any Purchaser Subsidiary has or may acquire any rights, (b) under which the Purchaser or any Purchaser Subsidiary has or may become subject to any obligation or liability, or (c) by which the Purchaser or any Purchaser Subsidiary or any of the assets owned or used by it is or may become bound.

Purchaser A/R Basket an amount equal to the sum of (i) all reserves set forth on the Purchaser Financial Statements for Purchaser Accounts Receivables and (ii) five percent (5%) of the Purchaser Accounts Receivable.

Purchaser Business the business of Purchaser and the Purchaser Subsidiaries.

Purchaser Inventory Basket an amount equal to five percent (5%) of the inventory of the Purchaser set forth on the Purchaser Financial Statements.

Purchaser Subsidiary Any Subsidiary of the Purchaser and any of their respective Subsidiaries.

Related Person with respect to a particular individual:

(a) each other member of such individual s Family;

(b) any Person that is directly or indirectly controlled by such individual or one or more members of such individual s Family;

(c) any Person in which such individual or members of such individual s Family hold (individually or in the aggregate) a Material Interest; and

(d) any Person with respect to which such individual or one or more members of such individual s Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity);

(c) any Person in which such specified Person holds a Material Interest;

any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and

(d) any Related Person of any individual described in clause (b) or (c).

For purposes of this definition, (a) the Family of an individual includes (i) the individual, (ii) the individual s spouse, (iii) any other natural person who is related to the individual or the individual s spouse within the second degree, and (iv) any other natural person who resides with such individual, and (b) Material Interest means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least ten percent (10%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least ten percent (10%) of the outstanding equity securities or equity interests in a Person.

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Release any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment, whether intentional or unintentional.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

Securities Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

Seller Representative shall have the meaning set forth in the Purchaser Indemnity Agreement.

Shareholders Agreement means that certain Shareholders Agreement dated as of November 10, 2003 by and among the Company and the Company Stockholders.

Stock Purchase Agreement means that certain Amended and Restated Stock Purchase Agreement made by Centrum Acquisition, Inc., Amin Amdani and Rauf Gajiani dated as of November 10, 2003, as the same may be amended by the First Amendment Agreement.

Straddle Period means any Tax Period that begins before the Closing Date and ends after the Closing Date.

Subsidiary with respect to any Person (the Owner), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation s or other Person s board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred) are held by the Owner or one or more of its Subsidiaries; when used without reference to a particular Person, Subsidiary means a Subsidiary of the Company.

Tax means any tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, imposed by any Governmental Authority (including, but not limited to, any federal, state, local, foreign or provincial income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, alternative or added minimum, ad valorem, transfer or excise tax) together with any interest, addition or penalty imposed thereon.

Tax Return any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Authority in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Law relating to any Tax.

Threat of Release a substantial likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that is reasonably likely to result from such Release.

Threatened a claim, Proceeding, dispute, action, or other matter will be deemed to have been Threatened if any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), or if any other event has occurred or any other circumstances exist, that would lead a prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter is likely to be asserted, commenced, taken, or otherwise pursued in the future. For purposes of this definition, the term defined above as Alleged Breach shall be deemed to be included in the general term claim.

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9.2 *Table of Other Defined Terms*. For purposes of this Agreement, the following terms have the meanings specified or referred to in the Section of the Agreement as referenced below:

Defined Term	Location
Agreement	Preamble
Balance Sheet	§2.4
Board Representation Term	§5.10
Board Representative	§5.10
Centrum Ownership Period	§5.17
Certificate of Merger	§1.1(a)
Certificates	§1.3(e)
Closing	§1.2(a)
Closing Date	§1.2(b)
Closing Deadline	§7.1(b)
Code	Recitals
Company	Recitals
Company Debt	§1.3(a)
Company Debt Holdback Shares	§1.15(a)
Company Disclosure Schedule	Article 2 - Preamble
Company Material Adverse Effect	§2.29
Company Other Benefit Obligation	§2.13(a)
Company Per Share Value	§1.3(a)
Company Plan	§2.13(a)
Company Stock	§1.3(a)
Company Tax Opinion Certificate	§4.7
Company Value	§1.3(a)
Copyrights	§2.22(a)
Debt Adjustment	§1.15(b)
DGCL	Recitals
DLLCA	§1.1
Effective Time	§1.2(b)
ERISA Affiliate	§2.13(a)
Final Company Debt	§1.15(b)
Financial Statements	§2.4
First Amendment Agreement	§6.4(c)
Former Guarantors	§5.12
Indemnification Escrow Shares	§1.4
Intellectual Property Assets	§2.22(a)
Interim Balance Sheet	§2.4
Marks	§2.22(a)
Merger	Recitals
Merger Consideration	§1.3(a)
Merger Sub	Preamble
Mexican Acquisition	§6.3(m)
Mexican Employee Plans	§2.13(e)
Multi-Employer Plan	§2.13(a)
Noncompetition Agreement	§6.2(g)
NYSE	§1.3(a)
Other Benefit Obligations	§2.13(a)
Outstanding Company Stock	§1.3(a)
Patents	§2.22(a)

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Defined Term	Location
PBGC	§2.13(a)
Pension Plan	§2.13(a)
Plan	§2.13(a)
Plan Sponsor	§2.13(a)
Preferred Stock	§1.3(a)
Proposals	§1.12(a)
Proprietary Rights Agreement	§2.20(b)
Prospectus/Proxy Statement	§1.12(a)
Purchaser	Preamble
Purchaser Disclosure Schedule	Article 3 - Preamble
Purchaser ERISA Affiliate	§3.17(a)
Purchaser Financial Statements	§3.7
Purchaser Indemnity Agreement	§6.4(b)
Purchaser Intellectual Property Assets	§3.22(a)
Purchaser Marks	§3.22(a)
Purchaser Options	§3.2
Purchaser Other Benefit Obligations	§3.17(a)
Purchaser Plan	§3.17(a)
Purchaser Rights	§1.3(a)
Purchaser Securities Filings	§3.5
Purchaser Stock	§1.3(a)
Purchaser Stock Consideration	§1.3(a)
Purchaser Stock Value	§1.3(a)
Purchaser Subsidiaries	§3.1
Purchaser Tax Opinion Certificate	§5.7
Purchaser Trade Secrets	§3.22(a)
Qualified Plan	§2.13(a)
Release	§6.2(f)
Registration Statement	§1.12(a)
Rights in Mask Works	§2.22(a)
SEC	§1.12(a)
Securities Act	§1.12(a)
Securities Exchange Act	§1.12(a)
Seller Indemnity Agreement	§6.4(a)
Software	§2.22(h)
Surviving Entity	§1.1(a)
TCBA	§3.6(c)
Title IV Plans	§2.13(a)
Trade Secrets	§2.22(a)
VEBA	§2.13(a)
Welfare Plan	§2.13(a)

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IN WITNESS WHEREOF, each of the parties hereto have caused this Agreement and Plan of Merger to be signed and delivered by their respective duly authorized officers as of the date first above written.

ENNIS, INC.

By: /s/ KEITH S. WALTERS

Name: **Keith S. Walters**
Title: **Chairman, President and CEO**

MIDLOTHIAN HOLDINGS LLC

By: /s/ KEITH S. WALTERS

Name: **Keith S. Walters**
Title: **President**

CENTRUM ACQUISITION, INC.

By: /s/ LAURENCE ASHKIN

Name: **Laurence Ashkin**
Title:

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ANNEX B

FIRST AMENDMENT TO AGREEMENT AND PLAN OF MERGER

THIS FIRST AMENDMENT TO AGREEMENT AND PLAN OF MERGER is made as of this 23rd day of August, 2004 (the Amendment) by and among ENNIS, INC., a Texas corporation (Purchaser), MIDLOTHIAN HOLDINGS LLC, a Delaware limited liability company and wholly-owned subsidiary of Purchaser (Merger Sub), and CENTRUM ACQUISITION, INC., a Delaware corporation (the Company). All capitalized terms used herein but not defined where used shall have the meaning set forth in Merger Agreement (defined below).

WITNESSETH:

WHEREAS, Purchaser, Merger Sub and Company each executed that certain Agreement and Plan of Merger dated as of June 25, 2004 (the Merger Agreement), whereby Purchaser, through a merger of its wholly-owned subsidiary, Merger Sub, agreed to purchase all of the outstanding stock of Company;

WHEREAS, in order to provide funds to certain Company Stockholders in order to allow them to satisfy certain indebtedness incurred by them related to the Company, the parties desire to amend the Merger Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises, representations, warranties, mutual covenants and agreements hereinafter set forth, and for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Purchaser, Merger Sub and Company hereby covenant and agree as follows:

1. *Amendment to Section 1.3(a)*. Section 1.3(a) of the Agreement is agreed to be amended and restated as follows:

(a) Subject to the provisions of this Agreement and any applicable backup or other withholding requirements, each of the issued and outstanding shares of Class A common stock and Class B common stock, $1.00 par value, of the Company (the Company Stock) outstanding immediately prior to the Effective Time (except for Company Stock to be cancelled as set forth in Section 1.3(d)) shall be converted, by virtue of the Merger and without any action on the part of the holder thereof, into the Purchaser Stock Consideration and the right to receive the Purchaser Cash Consideration, without any interest thereon, subject to payment of cash in lieu of any fractional share as hereinafter provided, subject to adjustment as provided in Section 1.15(b). Not less than eight (8) business days prior to the Closing Date, the Company will provide Purchaser with written notice of the Company s estimate of the amount of Company Debt as of the Closing Date. Not less than three (3) business days prior to the Closing Date, the Purchaser will provide Company with written notice (the Cash Conversion Notice) of the amount of the Cash Consideration to be paid as part of the Merger Consideration. The Cash Consideration shall be an amount not less than Twelve Million Five Hundred Thousand Dollars ($12,500,000) and not more than Twenty Million Dollars ($20,000,000). If the Cash Conversion Notice is not timely provided, the amount of the Cash Consideration shall be deemed to be Twenty Million Dollars ($20,000,000). The aggregate Purchaser Stock Consideration and the aggregate Purchaser Cash Consideration shall be referred to as the Merger Consideration. For purposes hereof, the following terms have the following respective meanings:

Cash Consideration means the portion of the Merger Consideration to be paid in immediately available funds at the Closing.

Company Debt means, with respect to the Company or any Company Subsidiary, the indebtedness for interest-bearing borrowed money and funded debt as set forth on Section 1.3 of the Company Disclosure Schedule, together with accrued interest through the Closing Date thereon, if any,

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based on the Company s good faith estimate made immediately prior to Closing*; provided, however,* that the Company Debt shall not be less than One Hundred Four Million Dollars ($104,000,000) on the date hereof and on the Closing Date, with the Cash Consideration to be included in the computation of the amount of Company Debt on the Closing Date solely for purposes of this proviso but not for any other purpose including, without limitation, the definition of Company Value or any other use of Company Debt.

Company Per Share Value means a fraction, the numerator of which is the Company Value, and the denominator of which is the Outstanding Company Stock.

Company Value means (a) $242,000,000, *less* (b) Company Debt, *less* (c) the Cash Consideration, *less* (d) the Noncompetition Consideration.

Outstanding Company Stock means the Company Stock issued and outstanding immediately prior to the Effective Time, but excluding Company Stock to be cancelled pursuant to Section 1.3(d).

Purchaser Rights means rights to purchase Series A Junior Participating Preferred Stock, $10.00 par value per share (the Preferred Stock), of Purchaser distributed to holders of Purchaser Stock pursuant to the Rights Agreement dated November 4, 1998, as amended, between the Purchaser and Harris Trust and Savings Bank, as Rights Agent.

Purchaser Stock means the common stock of Purchaser, $2.50 par value per share, and associated Purchaser Rights. For clarification, each reference herein to Purchaser Stock shall include the associated Purchaser Rights.

Purchaser Stock Consideration means the right of a Company Stockholder to receive a certain number of shares of Purchaser Stock for each share of Company Stock, which number of shares of Purchaser Stock shall be equal to a fraction, the numerator of which is (a) the Company Per Share Value, and (b) the denominator of which is the Purchaser Stock Value.

Purchaser Stock Value means $15.63, representing the average closing price, as listed on the New York Stock Exchange, Inc. (NYSE), of the Purchaser Stock over the thirty (30) trading days immediately preceding the date hereof.

Purchaser Cash Consideration means the right of a Company Stockholder to receive a certain portion of the Cash Consideration. For any Company Stockholder, the amount of that Company Stockholder s Purchaser Cash Consideration shall be the product of multiplying the aggregate Cash Consideration times a fraction, the numerator of which is (a) the number of shares of Company Stock held by that Company Stockholder; and (b) the denominator of which is the Outstanding Company Stock.

All such shares of Company Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate previously representing any such shares shall thereafter represent the right to receive a certificate representing the shares of Purchaser Stock into which such Company Stock was converted in the Merger and the right to receive the per share Purchaser Cash

Consideration. Certificates previously representing shares of Company Stock shall be exchanged for certificates representing whole shares of Purchaser Stock issued in consideration therefor upon the surrender of such certificates in accordance with the provisions of Section 1.6, without interest and for Purchaser Cash Consideration as provided in Section 1.6(a).

2. *Amendment to Section 1.6(a)*. Section 1.6(a) of the Agreement is agreed to be amended and restated as follows:

(a) At Closing, Purchaser shall deliver to the Company Stockholders: (i) certificates representing an aggregate number of shares of Purchaser Stock as nearly as practicable equal to the number of shares to be converted into Purchaser Stock as determined in Section 1.3(a), *less* (A) the Indemnification Escrow Shares and (B) the Company Debt Holdback Shares, (ii) an amount in cash equal to the aggregate Purchaser Cash Consideration; and (iii) an amount in cash equal to the cash to be paid in lieu of fractional shares, if necessary.

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3. *Amendment to Section 1.15(b)*. The last sentence of Section 1.15(b) is hereby amended and restated to read as follows:

The amount of the Purchaser Stock Consideration shall be reduced by the Debt Adjustment, if any.

4. *Ordinary Course of Business*. Purchaser agrees that the repayment by the shareholders of the Company of a portion of the Company s existing secured lending facility in the amount of $12,000,000 shall be agreed to be in the Ordinary Course of Business for all purposes under the Merger Agreement.

5. *Ratification*. The parties agree that the Merger Agreement, and any other documents executed and delivered in connection therewith, remains in full force and effect, and shall remain binding in accordance with its terms except as modified hereby.

6. *Certain Usages*. From and after the date hereof, each reference to the Merger Agreement in the Agreement and the other agreements, documents or instruments referred to or provided for in or delivered under the Agreement shall be deemed to refer to the Merger Agreement as modified hereby.

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IN WITNESS WHEREOF, each of the parties hereto have caused this Amendment to be signed and delivered by their respective duly authorized officers as of the date first above written.

ENNIS, INC.

By: /s/ KEITH S. WALTERS

Name: **Keith S. Walters**
Title: **Chairman, President and CEO**

MIDLOTHIAN HOLDINGS LLC

By: /s/ KEITH S. WALTERS

Name: **Keith S. Walters**
Title: **President**

CENTRUM ACQUISITION, INC.

By: /s/ ROGER BROWN

Name: **Roger Brown**
Title: **President and Chief Executive Officer**

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ANNEX C

June 24, 2004

The Board of Directors

Ennis, Inc.

2441 Presidential Parkway

Midlothian, Texas 76065

Members of The Board of Directors:

Ennis, Inc. (the Company), Centrum Acquisition, Inc. (Centrum), and Midlothian Holdings LLC, a wholly owned subsidiary of the Company (Merger Sub), propose to enter into an agreement and plan of merger (the Agreement) pursuant to which Centrum will be merged with and into Merger Sub (the Merger) and survive as a wholly owned subsidiary of the Company. Pursuant to the Merger, the Company will issue to the holders of Centrum common stock newly issued shares of common stock of the Company (Company Common Stock) in exchange for their shares of Centrum common stock, which will be cancelled. The aggregate value of the Company Common Stock to be issued in the Merger (the Common Stock Consideration) will be equal to $242 million minus the amount of indebtedness for interest-bearing borrowed money or funded debt of Centrum and its subsidiaries measured as of the closing date of the Merger. The per share value of the Company Common Stock used to determine the number of new shares to be issued will be determined based on the average New York Stock Exchange closing price for the Company Common Stock for the 30 trading days immediately preceding the date of the Agreement.

You have asked us whether, in our opinion, the Merger is fair from a financial point of view to the existing holders of the Company Common Stock.

In arriving at the opinion set forth below, we have, among other things:

1. Analyzed the proposed financial terms of the Merger and a draft of the Merger Agreement dated June 23, 2004;

2. Analyzed the Company s audited consolidated financial statements for the fiscal years ended February 28, 1999 through February 29, 2004;

3. Analyzed certain publicly available business and financial information relating to the Company, as well as certain operating and financial information relating to the Company s business and prospects; including financial forecasts for Ennis and A&G provided to us by the Company s management;

4. Met with senior management of the Company to discuss the operations and financial position of the Company, business conditions in the business forms industry, and the prospects for the Company;

5. Analyzed the trading history, recent market prices, and valuation multiples for the Company s common stock;

6. Analyzed the audited financial statements of A&G, Inc. (A&G), the wholly owned operating subsidiary of Centrum, for the years ended December 31, 1999 through December 31, 2003, and unaudited interim financial information for periods through April 30, 2004;

7. Analyzed certain operating and financial information relating to A&G s business and prospects, including financial forecasts, provided to us by A&G s management;

8. Visited A&G s facilities in Anaheim, California;

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9. Met with senior management of A&G to discuss the operations and financial position of A&G, business conditions in its segment of the apparel industry, and the business prospects for A&G;

10. Analyzed the trading history, recent market prices, and valuation multiples for the common stock of certain publicly traded companies that we deemed comparable in certain respects to A&G, as well as their financial and operating performance;

11. Analyzed publicly available financial information and terms concerning sale transactions involving companies we deemed comparable in certain respects to A&G; and

12. Conducted such other financial studies, analyses, inquiries, and investigations as we deemed appropriate, including an assessment of general economic, market, and monetary conditions.

In rendering our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information that was available to us from public sources and all the financial and other information provided to us by the Company, Centrum, or their respective representatives. We have further relied upon the assurances of management of the Company and Centrum that they are unaware of any facts that would make the information their respective representatives provided to us incomplete or misleading. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of the Company or Centrum. We have assumed that the final form of the Merger Agreement will be substantially similar to the last draft reviewed by us. We have also assumed, with your consent, that the Merger will be consummated as set forth above in accordance with the terms of the Agreement, without amendment, modification, or waiver of any material term, representation, warranty, condition, or agreement and that, in the course of obtaining any necessary regulatory and third-party approvals and consents relating to the Merger, no modification, condition, restriction, limitation, or delay will be imposed that will have an adverse effect on the Company or Centrum.

With respect to the projected financial results of the Company and Centrum, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgment of management of the Company and Centrum, respectively. We do not express an opinion or any other form of assurance as to the reasonableness of the underlying assumptions. In arriving at our opinion, we have not performed or obtained any independent appraisal of the assets of Centrum or the Company. We have not participated in the negotiation of the Merger or, other than the issuance of this opinion, advised the Company with respect to it.

Our opinion is necessarily based on economic, market, financial, and other conditions as they exist on, and on the information made available to us as of, the date of this letter.

The Company has agreed to indemnify us for certain liabilities arising out of our engagement. We have in the past provided financial advisory services to the Company and have received fees for the rendering of such services.

Based on the foregoing, it is our opinion that, as of the date hereof, the Merger is fair from a financial point of view to the existing holders of the Company Common Stock.

The opinion expressed herein is provided for the information and assistance of the Board of Directors of the Company concerning its deliberation regarding the Merger. Our opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to any matter relating to the Merger.

Very truly yours,

BERNSTEIN CONKLIN & BALCOMBE

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. ***Indemnification of Directors and Officers.***

Article 2.02-1 of the Texas Business Corporation Act permits a corporation to indemnify certain persons, including officers and directors and former officers and directors, and to purchase insurance with respect to liability arising out of their capacity or status as officers and directors.

Article Nine of the Registrant s Restated Articles of Incorporation provides as follows:

The Corporation may indemnify any person (and the heirs, executors and administrators of such persons) who is, or was, a director, officer or former director, officer, employee or agent of the Corporation, or any person who may have served at its request as a director, officer, employee or agent of another corporation, foreign or domestic, or any partnership, proprietorship, trust, association or enterprise, whether a profit or non-profit business in which it owned shares of capital stock or other interest or of which it is a creditor, against expenses actually and necessarily incurred by him in connection with the defense of any claim, action, suit or proceeding whether brought by or in the right of the Corporation and whether civil, criminal, administrative or investigative in nature, or in connection with any appeal relating thereto, in which he is made a party or threatened to be made a party by reason of being or having been such director, officer, employee or agent except in relation to maters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty, but such indemnification shall not be deemed exclusive of any other rights to which such person may be entitled under any bylaw, agreement, vote of shareholders or otherwise.

The Corporation shall have the power to purchase and maintain insurance on behalf of any such person, or any person who is a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any capacity arising out of his status as such whether or not the Corporation would have the power to indemnify him against such liabilities under the provisions of the Texas Business Corporation Act.

In addition, Article IX of the Registrant s Bylaws, as amended, provides that the Registrant shall indemnify any person who was or is a party or is 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 he is or was serving as a director or officer of the Registrant or serving as such at the request of the Registrant as a director or officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against all expenses including attorneys fees, judgments, fines and other amounts actually and reasonably incurred by him in connection with such action, suit or proceeding; provided, that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; and further provided that there shall be no indemnification in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that a court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which such court shall deem proper. The termination of any action, suit or proceeding by settlement or its equivalent not amounting to a judgment thereof shall not, of itself, create a presumption that the

person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to be the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Any indemnification under the provisions hereof shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct of good faith set forth above. Such determination shall be made (1) by the board of directors of Ennis, Inc. by a majority vote of a quorum consisting of directors who were not

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parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

In addition to the power of indemnification set forth above, the board of directors is authorized, on behalf of the corporation, to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such; and where such insurance has been purchased and maintained by the corporation but the liability incurred exceeds the applicable limits of coverage thereof, the corporation may reimburse such persons the difference between the liability incurred and the insurance proceeds received; provided, that the indemnification provisions above have been complied with.

The Registrant has purchased directors and officers liability insurance. Subject to conditions, limitations and exclusions in the policy, the insurance covers amounts required to be paid for a claim or claims made against directors and officers for any act, error, omission, misstatement, misleading statement or breach of duty by directors and officers in their capacity as directors and officers of the Registrant.

Item 21. ***Exhibits and Financial Statement Schedules.***

(a) The following exhibits are filed herewith or incorporated herein by reference as part of this Registration Statement:

Exhibit	Title
2.1	Agreement and Plan of Merger dated as of June 25, 2004 by and among Ennis, Inc., Midlothian Holdings LLC, and Centrum Acquisition, Inc., (incorporated by reference to Annex A of the proxy statement/prospectus included in this Registration Statement).
2.2	First Amendment to Agreement and Plan of Merger dated as of August 23, 2004 by and among Ennis, Inc., Midlothian Holdings LLC, and Centrum Acquisition, Inc., (incorporated by reference to Annex B of the proxy statement/prospectus included in this Registration Statement).
3.1	Restated Articles of Incorporation as amended through June 23, 1983 with attached amendments dated June 20, 1985, July 31, 1985 and June 16, 1988 (incorporated by reference to Exhibit 5 to the Registrant s Form 10-K Annual Report for the fiscal year ended February 28, 1993).
3.2	Bylaws of the Registrant as amended through October 15, 1997 (incorporated by reference to Exhibit 3(ii) to the Registrants Form 10-Q Quarterly Report for the quarter ended November 30, 1997).
5.1	Opinion of Kirkpatrick & Lockhart LLP as to the legality of the shares of common stock registered hereby (previously filed).
8.1	Opinion of Kirkpatrick & Lockhart LLP as to certain tax matters (previously filed).
8.2	Opinion of Gardner Carton & Douglas LLP as to certain tax matters (previously filed).
10.1	Employment Agreement between Ennis, Inc. and Keith S. Walters dated May 1, 2003 (incorporated by reference to Exhibit 10.1 to the Registrant s Form 10-K Annual Report for the fiscal year ended February 29, 2004).
10.2	Employment Agreement between Ennis, Inc. and Ronald M. Graham dated May 1, 2003 (incorporated by reference to Exhibit 10.2 to the Registrant s Form 10-K Annual Report for the fiscal year ended February 29, 2004).

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Exhibit	Title
10.3	Employment Agreement between Ennis, Inc. and Michael D. Magill dated October 7, 2003 (incorporated by reference to Exhibit 10.3 to the Registrant s Form 10-K Annual Report for the fiscal year ended February 29, 2004).
10.4	2004 Long-Term Incentive Plan (incorporated by reference to Appendix C to the Registrant s Definitive Proxy Statement on Schedule 14A filed on May 17, 2004).
10.5	Stock Purchase Agreement dated as of June 25, 2004, among Crabar/GBF, Inc., the stockholders of Crabar/GBF, Inc. and Ennis, Inc. (incorporated by reference to Exhibit 2 to the Registrant s Current Report on Form 8-K filed on July 15, 2004).
10.6	First Amendment Agreement dated as of June 25, 2004, by and among Amin Amdani, Rauf Gajiani, Centrum Acquisition, Inc., Ennis, Inc. and Midlothian Holdings LLC (previously filed).
10.7	Indemnity Agreement dated as of June 25, 2004, by and among Laurence Ashkin, Roger Brown, John McLinden, Arthur Slaven, Ennis, Inc. and Midlothian Holdings LLC (previously filed).
10.8	Indemnity Agreement dated as of June 25, 2004, by and among Laurence Ashkin, Roger Brown, John McLinden, Arthur Slaven, Ennis, Inc. and Midlothian Holdings LLC (previously filed).
10.9	UPS Ground, Air Hundredweight and Sonicair Incentive Program Carrier Agreement (incorporated by reference to Exhibit 10 to the Registrant s Form 10-K Annual Report for the fiscal year ended February 28, 2003).
10.10	Addendum to UPS Ground, Air and Sonicair Incentive Program, Carrier Agreement dated as of August 9, 2004, between Ennis, Inc. and United Parcel Service, Inc. (previously filed)
10.11	Carbonless Paper Agreement dated as of July 13, 2004 between Ennis, Inc. and MeadWestvaco Corporation (previously filed)
10.12	Fourth Amendment to Credit Agreement dated as of June 30, 2004, between Ennis, Inc. and Bank One, NA (previously filed).
10.13	Assignment Agreement dated as of June 30, 2004, between U.S. Bank National Association and Compass Bank (previously filed).
23.1	Consent of Ernst & Young LLP (filed herewith).
23.2	Consent of Moss Adams LLP (filed herewith).
23.3	Consents of Kirkpatrick & Lockhart LLP (included in Exhibits 5.1 and 8.1).
23.4	Consent of Bernstein, Conklin & Balcombe (filed herewith).
23.5	Consent of Gardner Carton & Douglas LLP (included in Exhibit 8.2).
24.1	Power of Attorney (previously filed).
99.1	Form of Proxy for Special Meeting of Shareholders of Ennis, Inc. (previously filed).

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Item 22. ***Undertakings.***

The undersigned registrant hereby undertakes as follows:

(1) The undersigned registrant hereby undertakes:

(a) 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;

(iii) 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;

(b) That, for the purpose of determining any liability under the Securities Act of 1933, 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.

(c) To remove from the registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

(2) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145I, the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(3) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (a) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933, as amended, and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that,

for purposes of determining any liability under the Securities Act of 1933, as amended, 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.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant 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 of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant 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 registrant 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 of 1933, as amended, and will be governed by the final adjudication of such issue.

(5) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of

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receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(6) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(7) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement 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.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midlothian, State of Texas, on October 4, 2004.

ENNIS, INC.

By: /s/ KEITH S. WALTERS

Keith S. Walters

Chairman, CEO and President

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KEITH S. WALTERS **Keith S. Walters**	Chairman, CEO, President and Director (Principal Executive Officer)	October 4, 2004
/s/ HARVE CATHEY **Harve Cathey**	Vice President Finance and Chief Financial Officer, Secretary (Principal Financial and Accounting Officer)	October 4, 2004
James B. Gardner	Director	September , 2004
* **Ronald M. Graham**	Director	October 4, 2004
Harold W. Hartley	Director	September , 2004
* **Robert L. Mitchell**	Director	October 4, 2004
* **Thomas R. Price**	Director	October 4, 2004

*	Director	October 4, 2004
Kenneth G. Pritchett		
	Director	September , 2004
James C. Taylor		
	Director	September , 2004
Alejandro Quiroz		

*By: /s/ Harve Cathey

Harve Cathey, as Attorney-in-Fact,

pursuant to Powers of Attorney previously filed

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