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ID # 19675

FICTITIOUS BUSINESS NAME STATEMENT
(To be filed in Duplicate)

FILED
JUL 18 1996
BY *[Signature]*
163985

To the Secretary of State
of the State of Rhode Island

Pursuant to the provisions of Section 7-1-1-7-1 for corporations or 7-16-9 for limited liability companies of the General Laws, 1956, as amended, the undersigned hereby submits the following statement for authority to transact business in the State of Rhode Island under a fictitious name

FIRST: Fictitious business name to be used: CARPET PRODUCTS

SECOND: Legal name of applicant corporation or limited liability company: The Belknap White Group, Inc.

THIRD: Organized under the laws of: Rhode Island

FOURTH: Date of organization: September 10, 1981

FIFTH: If a corporation, business in which corporation is engaged: operating a retail floor covering distributorship

SIXTH: If a corporation, address of registered office of the corporation within Rhode Island: 1510 Hospital Trust Tower, Providence, RI 02903

SEVENTH: Applicant is otherwise authorized to do business in the State of Rhode Island

Dated July 11, 1996

The Belknap White Group, Inc.
(Applicant)

By *[Signature]*
Robert A. Ciampi
Its President

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ASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that pursuant to that certain Asset Purchase Agreement dated as of May 20, 1996, as amended (the "Purchase Agreement"), by and among THE BELKNAP WHITE GROUP, INC., a Rhode Island corporation ("Buyer"), CARPET PRODUCTS, INC., a Rhode Island corporation ("Seller"), ALICE H. BARROWS and CHESTER W. BARROWS, stockholders of Seller ("Stockholders"), Seller has agreed to sell and transfer to Buyer certain of the assets described in more detail below relating to Seller's business of the wholesale and retail distribution of carpet products (the "Business"). All capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Purchase Agreement.

In connection with such sale, Seller, for and in consideration of the payment of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, convey, sell, assign, transfer and deliver to Buyer as of the date hereof substantially all of Seller's inventories together with certain operating assets used in connection with the Business (except for Excluded Assets as set forth below), in each such case free and clear of all liabilities and obligations, covenants, restrictions, mortgages, liens, security interests, claims, pledges, easements, options, rights of refusal, charges, leases, licenses, defects in title, encumbrances and any other restriction of any kind or nature (collectively, the "Purchased Assets").

Without limiting the foregoing, the Purchased Assets shall include the following except to the extent that any of the following are included within the Excluded Assets:

- (i) All inventory of the Seller (the "Inventory");
- (ii) The specific tangible personal property and physical assets and equipment (the "Equipment") and all assignable manufacturer's, distributor's or seller's warranties with respect to the Equipment (the "Asset Warranties") which will be listed on Schedule 1.1(b) to the Purchase Agreement;
- (iii) Subject to the provisions of Section 1.6(b) of the Purchase Agreement, all rights to use the corporate name, "Carpet Products", its stylized lettered logo of such name and the Seller's logo;

(iv) Those specific leases and rental agreements to which Seller is a party which will be listed on Schedule 1.1(d) to the Purchase Agreement (the "Assumed Contracts"); and

(v) All files and records pertaining to the operation of the Business and the Subject Assets which Seller has maintained in the usual course of Business, including without limitation, Seller's customer lists ("Customer Lists"), credit files (including collateral agreements and guaranties to the extent assignable), sales records and Seller's product code breakdown of sales by dealer relating to Seller's carpet and all other floor covering products from 1990 to the Closing Date, but not including Seller's corporate records.

EXCEPTING, EXCLUDING AND RESERVING, however, from the assets and properties of Seller conveyed to Buyer by means of this Assignment and Bill of Sale, the following Excluded Assets:

- (i) Cash and cash equivalents or money market instruments, including unprocessed checks, savings and other deposits and certificates of deposit;
- (ii) The life insurance policies on the Stockholders;
- (iii) Accounts receivable of Seller arising out of transactions between Seller and its customers that occurred on or prior to the Closing Date, provided, however, that collections from such accounts receivable shall be applied to reduce the outstanding balance owed to Buyer by Seller pursuant to that certain Secured Promissory Note issued by Seller in favor of Buyer as of the date hereof as set forth in that certain Security Agreement of even date between Buyer and Seller;
- (iv) Contracts, commitments and agreements, whether written or oral (including any existing lease agreements between the Seller and one or more of its Stockholders for lease of any of the Premises, or otherwise), other than the Assumed Contracts; and
- (v) All inventory of Orcon Corporation.

TO HAVE AND TO HOLD, all and singular, the Purchased Assets hereby sold, assigned, transferred and conveyed to Buyer, its successors and assigns, to and for their own use and benefit forever.

No representations or warranties are made by Seller with respect to the Business or the Purchased Assets other than as set forth in the Purchase Agreement, provided, however, that Seller hereby represents and warrants that such representations and warranties set forth in the

Purchase Agreement are true and correct as of the date hereof and additionally represents and warrants that it has all requisite power and authority to enter into and deliver this Assignment and Bill of Sale.

Seller shall, at Buyer's reasonable request and without further consideration, make, execute and deliver to Buyer any and all documents or instruments of any kind or character, and perform all such other actions, that may be necessary or proper and reasonable to effectuate, confirm, perform or carry out the terms and provisions of this Assignment and Bill of Sale.

This instrument shall be binding upon Seller, its successors and assigns, and shall inure to the benefit of Buyer and its successors and assigns.

This Assignment and Bill of Sale shall be governed by, construed and enforced in, accordance with the laws of the State of Rhode Island.

IN WITNESS WHEREOF, Seller has caused this Assignment and Bill of Sale to be executed by its duly authorized officer as of this 7th day of June, 1996.

CARPET PRODUCTS, INC.

By: Charles W. Barron
Title: PRESIDENT

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On the 7th day of June, 1996, before me personally appeared the above-named Charles W. Barron, as President of CARPET PRODUCTS, INC., to me known and known by me to be the President of said corporation and acknowledged said instrument so executed to be his free act and deed in said capacity and the free act and deed of said corporation.

Roxanne Sicard
Notary Public
My commission expires: 2/9/98

ASSET PURCHASE AGREEMENT

THIS AGREEMENT made and entered into as of May 20, 1996, by and among THE BELKNAP WHITE GROUP, INC., a Rhode Island corporation with its principal place of business at 935 Douglas Pike, Smithfield, Rhode Island 02917 or its assignee (the "Buyer"), CARPET PRODUCTS, INC., a Rhode Island corporation with its principal place of business at One Wholesale Way, Cranston, RI 02921 (the "Seller") and Chester W. Barrows and Alice H. Barrows (the "Stockholders").

WITNESSETH:

WHEREAS, Buyer is actively engaged as a distributor of floor products in New England; and

WHEREAS, Seller is actively engaged as a wholesale and retail distributor of carpet products in the New England market (the "Business"); and

WHEREAS, Seller conducts the Business from various leased locations in New England (the "Premises"); and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, substantially all of Seller's inventories together with certain operating assets used in connection with the Business, all subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. PURCHASE AND SALE OF ASSETS

1.1. Sale of Assets. Subject to the provisions of this Agreement, Seller agrees to sell, convey, transfer, assign and deliver to Buyer, and Buyer agrees to purchase and accept from Seller, on the Closing Date (as defined in Section 1.4 hereof), all assets of Seller (other than the Excluded Assets, as hereinafter defined) used or useful in the Business, including without limitation, the following property and assets:

- (a) All inventory of the Seller (the "Inventory");
- (b) The specific tangible personal property and physical assets and equipment (the "Equipment") and all assignable manufacturer's, distributor's or seller's warranties with respect to the Equipment (the "Asset Warranties") which will be listed on Schedule 1.1(b) to be agreed upon by Buyer and Seller prior to the Closing Date;
- (c) Subject to the provisions of Section 1.6(b), all rights to use the corporate name, "Carpet Products", its stylized lettered logo of such name and the Seller's logo;
- (d) Those specific leases and rental agreements to which Seller is a party which will be listed on Schedule 1.1(d) to be agreed upon by Buyer and Seller prior to the Closing Date (the "Assumed Contracts"); and

(c) All files and records pertaining to the operation of the Business and the Subject Assets (as hereinafter defined) which Seller has maintained in the usual course of Business, including without limitation, Seller's customer lists ("Customer Lists"), credit files (including collateral agreements and guaranties to the extent assignable), sales records and Seller's product code breakdown of sales by dealer relating to Seller's carpet and all other floor covering products from 1990 to the Closing Date, but not including Seller's corporate records;

There shall, however, be excluded from the purchase and sale on the Closing Date the following assets of the Seller (the "Excluded Assets") which are hereby expressly excluded from the Subject Assets:

- (i) Cash and cash equivalents or money market instruments, including unprocessed checks, savings and other deposits and certificates of deposit;
- (ii) The life insurance policies on the Stockholders;
- (iii) Accounts receivable (the "Seller Receivables"); and
- (iv) Contracts, commitments and agreements, whether written or oral (including any existing lease agreements between the Seller and one or more of its Stockholders for lease of any of the Premises, or otherwise), other than the Assumed Contracts.

The assets of Seller to be sold to and purchased by the Buyer under this Agreement are hereinafter collectively referred to as the "Subject Assets".

1.2. Assumption of Liabilities. Upon the sale and purchase of the Subject Assets, Buyer shall assume Seller's obligations to be performed on and after the Closing Date (but not obligations or liabilities the performance or payment of which was due by Seller prior to such time) under, and as set forth in, the Assumed Contracts (the obligations referred to in the foregoing clause being hereinafter referred to collectively as "Assumed Liabilities"). Buyer is not agreeing to, and shall not, assume any other liability, obligation, undertaking, expense or agreement of Seller of any kind, absolute or contingent, known or unknown, and the execution, delivery and performance of this Agreement shall not render Buyer liable for any such liability, obligation, undertaking, expense or agreement, including, without limitation, any obligation of Seller arising under the Assumed Contracts prior to the Closing Date. Notwithstanding any provision of this Agreement to the contrary, and without in any way limiting the foregoing, in no event shall Buyer assume or be deemed to assume any federal and/or state income tax or withholding liabilities of the Seller or related to the Seller's operations relating to or associated with any period, or any liability of the Seller resulting from any product liability or warranty claims associated with products sold prior to the Closing Date, any claims with respect to employees relating to periods prior to the Closing Date or litigation relating to matters arising prior to the Closing Date.

1.3. Purchase Price and Payment.

(a) The aggregate purchase price for the Subject Assets and the payment for the covenant of Seller and the Stockholders not to compete which is contained in Section 1.8 of this Agreement (the "Purchase Price") shall be an amount equal to (i) the lower of cost (on a first-in-first-out ("FIFO") basis) or fair market value of the Inventory, determined in accordance with

generally accepted accounting principles ("GAAP") applied on a consistent basis, which amount shall include purchase discounts received from suppliers of such Inventory, plus (ii) an amount to be agreed upon by the parties for the Equipment and Asset Warranties, which Purchase Price shall include an amount equal to \$1.00 for the goodwill, the agreement not to compete and the Customer Lists.

(b) The following amounts will also be paid by the Buyer:

(i) The amount of the prorations, as provided in subsection (d) hereof;
plus

(ii) An amount equal to the prepaid expenses on the books of Seller for which Buyer will derive a benefit after the Closing.

The Purchase Price shall be payable in immediately available funds on the Closing Date. The Purchase Price shall be allocated among the Subject Assets as set forth in this Section 1.3.

(c) The portion of the Purchase Price to be calculated under subsection (i) of Section 1.3(a) hereof shall be based on Seller's records of such items as of the Closing Date, as verified by Buyer and Seller in a physical inventory to be conducted pursuant to this Subsection (c). Beginning immediately following the date hereof, Buyer shall conduct, at the parties' joint expense, a complete (or selective) physical inventory to verify the physical quantities and purchase price paid for such items.

(d) All ad valorem, real estate and other property taxes, water and sewer use charges, business license fees, rents, utility expenses and other similar expenses shall be pro-rated as of the Closing Date. Seller shall provide Buyer with an itemized statement evidencing all proposed adjustments not less than two business days prior to the Closing Date. If Buyer contests any of such proposed adjustments, the amount thereof shall be resolved in good faith in accordance with customary local real estate practice in the case of real estate adjustments, and in accordance with generally accepted accounting principles for other adjustments.

1.4. Time and Place of Closing. The closing of the purchase and sale provided for in this Agreement (herein called the "Closing") shall be held at the offices of Edwards & Angell, 2700 Hospital Trust Tower, Providence, RI 02903 at 10:00 A.M. on May 31, 1996, or such other date, time and place as shall be mutually agreed upon by the parties hereto (the "Closing Date"). If the Closing does not occur on the Closing Date, this Agreement shall terminate unless extended by mutual agreement of the parties hereto.

1.5. The Closing.

At the Closing:

(a) Seller shall convey, transfer, and assign to Buyer, and shall deliver to Buyer such instruments of conveyance, transfer, and assignment, in form and substance satisfactory to Buyer, as shall be sufficient to convey, transfer, and assign to Buyer, sole and exclusive right, title and interest in and to all the Subject Assets, free and clear of all liens, pledges, encumbrances or other adverse claims of any kind or description, such instruments to include warranty bills of sale for the Subject Assets and title certificates for any owned vehicles;

(b) Seller shall deliver to Buyer all of Seller's files and records referred to in Section 1.1(d) and Seller shall put Buyer in actual possession of the Subject Assets; and

(c) Buyer shall deliver to Seller the Purchase Price as set forth in Section 1.3 hereof.

1.6. Covenants to be Performed After the Closing.

(a) From time to time following the Closing, Seller, the Stockholders and Buyer shall, upon request of the other, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, documents, instruments, transfers, conveyances, discharges, releases, assurances and consents as the Buyer or Seller may reasonably request (a) as to Buyer, to confirm and perfect the Buyer's right, title and interest in and to, and possession of, the Subject Assets and (b) as to both parties, to confirm and perfect the transactions contemplated herein. In addition, Buyer shall give Seller reasonable access during normal business hours to the files and records identified in Section 1.1(d) for four (4) years following the Closing.

(b) Seller shall change its name and cease use of the name "Carpet Products" or any derivation thereof, except to the extent necessary to collect its outstanding Accounts Receivables.

1.7 Employment of Seller's Employees.

Buyer shall have no obligation to employ any of Seller's employees. Buyer may, however, offer employment at will at salaries and benefits in line with those offered by Buyer to persons in comparable positions in its business to the employees of Seller to be identified by Buyer no later than two business days prior to the Closing Date (the persons to whom Buyer agrees to offer such employment shall hereinafter be referred to as the "Employees"). Seller shall terminate the employment of each of the Employees who accepts employment with Buyer as of the Closing Date. Seller and Buyer shall cooperate in effectuating a smooth transition of employment of the Employees. Seller shall be responsible for payment of any accrued wages and salaries and accrued vacation, sick time, personal time, comp time and severance payable to all Employees in accordance with Seller's policies. Seller acknowledges and agrees that Buyer shall not be liable or responsible for any claim made by any Employee employed by Buyer relating to the period prior to the Closing Date, including, without limitation, such wages and salaries and accrued vacation, sick leave, personal time, comp time and accrued severance pay for such Employee, except that Buyer shall include the Seller's employees in its vacation policy based on their seniority with Seller (subject to the requirements of Buyer's policy) although Seller and Stockholders shall continue to be responsible for the vacation pay of any of Seller's employees who are either not employed by Buyer or whose employment with Buyer terminates prior to December 31, 1996. Seller shall give Buyer a list at the Closing of the amounts of all such payments. Notwithstanding anything contained herein to the contrary, this Section 1.7 may not be relied upon by any employee of Seller as a third party beneficiary.

1.8. Covenants Not to Compete.

(a) Seller and the Stockholders jointly and severally agree that, during the Noncompete Period (as hereinafter defined), the Seller and the Stockholders will not, singly, jointly or as a member, employee or agent of any partnership or as an officer, agent, employee, director, stockholder (except of not more than two percent (2%) of the outstanding stock of any company listed on a national securities exchange or actively traded in the over-the-counter securities

market) or investor in any other corporation or entity, or in any other capacity, directly or indirectly, (i) own, manage, operate, join, control or participate in the ownership, management, operation, or control of, or work for (as an employee, consultant, independent contractor or otherwise), or permit the use of his name by, or provide financial or other assistance to, or be connected in any manner with, any person, corporation or entity which competes in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut with the Company in the business of wholesale or retail distribution of floor covering installation related products; (ii) induce or attempt to induce any person who, on the date hereof or at any time during the term of this Agreement, is an employee of the Buyer (including, without limitation, any employees of Seller who shall become employees of the Buyer on the Closing Date), to terminate his or her employment with the Buyer; or (iii) induce or attempt to induce any person, business or entity which is a customer, vendor or supplier of Seller or the Buyer, or which otherwise is a contracting party with Seller or the Buyer, as of the date hereof or at any time during the term of this Agreement, to terminate any written or oral agreement or understanding with the Buyer. As used herein, "Noncompete Period" shall mean a period of seven (7) years from the Closing Date.

(b) In view of the substantial harm which will result from the breach by Seller or the Stockholders of any of the covenants contained in subsection (a) above, the parties agree that such covenants shall be enforced to the fullest extent permitted by law. Accordingly, if, in any judicial proceeding, a court shall determine that such covenants are unenforceable because they cover too extensive a geographic area or survive for too long a period of time, or for any other reason, then the parties intend that such covenants shall be deemed to cover such maximum geographic area and maximum period of time and shall otherwise be deemed to be limited in such manner as will permit enforceability by such court.

(c) The Seller and the Stockholders agree that any breach of the provisions of subsection (a) above will cause irreparable damage to the Buyer and that the recovery by the Buyer of money damages will not constitute an adequate remedy for such breach. Accordingly, the Seller and the Stockholders agree that the provisions of subsection (a) above may be specifically enforced against them in addition to any other rights or remedies available to the Buyer on account of any such breach, and the Seller and the Stockholders hereby waive the defense in any equitable proceeding that there is an adequate remedy at law for any such breach.

1.9 Lease of the Premises. The Stockholders and the Buyer agree that Buyer will enter into a mutually acceptable lease (the "Lease") with Stockholders for each of the Premises owned by the Stockholders in Scarborough, Maine, Springfield, Massachusetts and Manchester, New Hampshire, each Lease to be for a 12-month period following the Closing, at a monthly rental to be mutually agreed upon by the parties prior to the Closing. The Stockholders and the Buyer shall also mutually agree in each Lease prior to the Closing as to who shall be responsible for payment of all taxes, insurance, maintenance and all other expenses relating to the Premises. The Leases shall provide that Buyer shall have an option to continue to lease each of the Premises beyond such one-year term for a period to be agreed upon by the parties and shall contain such other provisions as the parties thereto may agree. The Leases shall also provide that Buyer shall have the right to offset any and all amounts due and owing under this Agreement, including any and all amounts due under the Loan (as hereinafter defined) and any amounts owed by reason of breach under this Agreement against payments due under the Leases.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF SELLER AND THE STOCKHOLDERS

In order to induce the Buyer to enter into this Agreement and purchase the Subject Assets, the Seller and the Stockholders jointly and severally represent and warrant to the Buyer that:

2.1. Organization and Qualification of Seller. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island. The Seller has all requisite power and authority, corporate and other, to own or lease its properties and to carry on its business. The Seller is qualified as a foreign corporation to do business and is in good standing in New York, Connecticut, Massachusetts, Vermont, New Hampshire and Maine. The Seller currently conducts business, leases property and/or has inventory in all six New England states and New York.

2.2. Authority of Seller. The Seller and each of the Stockholders has full legal right, power and authority to execute, deliver, and perform this Agreement. The Seller and the Stockholders have taken all necessary corporate and stockholder action to authorize the execution, delivery and performance by the Seller of this Agreement.

2.3. Binding Effect. This Agreement has been duly executed and delivered by the Seller and the Stockholders and constitutes the legal, valid, and binding obligation of the Seller and each of the Stockholders enforceable against it and/or him/her in accordance with its terms.

2.4. No Breach or Violation. Except as set forth on Schedule 2.4, neither the execution and delivery by the Seller or the Stockholders of this Agreement, the Seller's and the Stockholders' compliance with and fulfillment of the terms of this Agreement, the sale and delivery of the Subject Assets to the Buyer, the Buyer's assumption of the Assumed Liabilities, nor the consummation of the transactions contemplated hereby violate or will violate any provision of law applicable to, or any provision of the certificate of incorporation or by-laws of, the Seller, or conflict with or will result in any breach of any term, condition or provision of, or constitute or will constitute (with due notice or lapse of time or both) a default under, cause the acceleration of obligations under, or will result in the creation or imposition of any lien, charge, encumbrance, security interest, mortgage, lease, option, condition or other adverse claims of any kind or description (herein called a "Lien") upon any of the Subject Assets of the Seller pursuant to the terms of any franchise, permit, license, authorization, concession, order, judgment, writ, injunction, decree, lease, mortgage, indenture, deed of trust, trust agreement, loan agreement, note agreement, bond, note or other agreement or instrument to which the Seller or either of the Stockholders is subject, or by which either the Seller or either of the Stockholders is, or any of Seller's assets, properties or rights are, subject or bound.

2.5. Consents and Approvals. Except as set forth on Schedule 2.5, no consent, approval, exemption, audit, waiver, order or authorization of, or registration, qualification, designation, declaration, notice or filing with, any governmental or regulatory authority, individual, corporation, partnership, joint venture, trust or unincorporated organization (all herein called a "Person"), is required on the part of either the Seller or the Stockholders in connection with the execution, delivery and performance of this Agreement, the sale or delivery of the Subject Assets or the assumption by Buyer of the Assumed Contracts.

2.6. Title to Properties; Liens; Condition of Properties.

(a) Except for the Excluded Property, the Subject Assets include all of the personal property, tangible and intangible, owned, leased, held by or licensed to the Seller which is necessary, used or useful in the operation of the Business in the manner and to the extent presently conducted by the Seller.

(b) The Seller owns the exclusive right, title, and interest in and to all of the Subject Assets and has good and marketable title to the Subject Assets. Except as set forth on Schedule 2.6(b), all of the Subject Assets are free and clear of all Liens.

(c) The Premises are being used for lawfully permitted purposes and conform in all material respects to all laws, ordinances, codes, rules or regulations applicable to the construction, use, operation or maintenance thereof.

(d) The Seller has not received notice that the Subject Assets fail to conform to any law, ordinance, code, rule or regulation applicable to the construction, use, operation or maintenance thereof.

2.7. Taxes of Seller. Except as specified in Schedule 2.7, all federal, state, county and local tax returns, reports and declarations of estimated tax or estimated tax deposit forms required to be filed by the Seller in connection with its operations, personal property, leases or payroll have been duly and timely filed; the Seller has paid, and as of the Closing Date shall have paid, all taxes which have become due whether pursuant to such returns or any assessment received by it or otherwise, and has paid, and as of the Closing Date shall have paid, all installments of estimated taxes due; and all taxes, levies and other assessments which the Seller is required by law to withhold or to collect have been duly withheld and collected, and have been paid over to the proper governmental authorities or are held by the Seller for such payment.

2.8. Absence of Certain Changes. Except as set forth on Schedule 2.8, since December 31, 1995, and through the Closing Date, the Seller has not in connection with the Business:

(i) operated the Business other than in the ordinary course and consistent with past practice;

(ii) made any change in accounting procedures or practices which involve the value of the Subject Assets;

(iii) sold, leased, subleased, assigned or transferred any of the Subject Assets;

(iv) except for this Agreement, entered into any agreement or arrangement granting any rights to purchase or lease any of the Subject Assets or requiring the consent of any Person to the transfer, assignment or lease of the Subject Assets;

(v) made any increase (other than normal salary increases and performance bonuses made by Seller in the ordinary course consistent with past practice) in the compensation payable or to become payable by the Seller to the Employees or in any insurance, pension or other benefit plan, payment or arrangement made to, for or with any of the Employees; or

(vi) entered into any agreement or understanding to do any of the foregoing.

2.9. Compliance with Laws. The Seller and the Stockholders have complied with all laws, regulations and orders applicable to the Seller and the Business (including those laws relating to the employment of labor and the environment, arising out of the Seller's operation of the Business) and the present ownership, operation and use by the Seller of the Subject Assets

does not violate any such laws, regulations or orders. The Seller is not in default with respect to any applicable judgment, order, injunction or decree of any court, administrative agency or other governmental authority. The Seller is not charged nor threatened with a charge or violation nor, to the best of Seller's knowledge, is Seller under investigation with respect to a possible violation of any provision of any federal, state, local or municipal law, regulation or order.

2.10. Contracts.

(a) The Seller has delivered to Buyer true, complete and correct copies of all of the Assumed Contracts. The Seller is not a party to any franchise or supply agreements.

(b) Set forth on Schedule 2.10(b) is a true and complete list of all real property leases to which Seller is a party, including the location, purpose, monthly rental and expiration date with respect to each such lease.

(c) Except as set forth on Schedule 2.10(c), the Seller and, to the best of Seller's knowledge, each other party thereto, have complied with all provisions of the Assumed Contracts required to be complied with by them and neither the Seller nor, to the best of Seller's knowledge, any other party is in default in any respect thereunder, and no event has occurred which but for the passage of time or giving of notice or both would or might constitute such a default thereunder by the Seller or any other party, and there is no outstanding notice of default or termination under any Assumed Contract. The Assumed Contracts are in full force and effect, and are valid, binding and enforceable in accordance with their respective terms and the sale of the Subject Assets as contemplated herein, subject to obtaining necessary consents, will in no way affect the validity, enforceability and continuity of any such contracts or agreements.

2.11. Employees; Employee Benefits.

(a) The Seller is not a party to any collective bargaining agreement covering any of its employees. Except as disclosed on Schedule 2.11(a), there are no pending, threatened or anticipated (i) employment discrimination charges or complaints against or involving the Seller before any federal, state or local court, board, department, commission or agency, (ii) unfair labor practice charges or complaints, disputes or grievances affecting the Seller, (iii) union representation petitions respecting the employees of the Seller, (iv) efforts being made to organize any of the employees of the Seller or (v) strikes, slow downs, work stoppages, or lockouts or threats thereof affecting the Seller. The Buyer will not assume any obligation to Seller's employees and has no commitment or obligation whatsoever to employ any employees of Seller. Prior to the Closing, Seller will provide its employees with any notification regarding this transaction or the effect thereof required under any applicable federal or state law.

(b) No lien pursuant to Section 412(n) of the Internal Revenue Code of 1986, as amended (the "Code") has arisen (or will arise) with respect to the Subject Assets due to one or more failures by Seller or any member of the controlled group of which Seller is or was a member (within the meaning of Section 412(n) of the Code) to make contributions or other payments required under Section 412 of the Code.

(c) Schedule 2.11(c) sets forth a true and correct description of all employee benefit plans or arrangements which cover any employee of Seller, including, without limitation, incentive plans for sales people, bonus arrangements, pension, welfare, savings or other benefit plan, employee stock purchase or stock option, severance, termination, vacation, sick leave, performance, hospitalization or other insurance plan or arrangement, whether written or oral, and

all related trust agreements (the "Benefit Plans"). Seller is current in making all payments under the Benefit Plans. No portion of this Agreement shall be construed as imposing upon the Buyer any obligation to assume, adopt, continue, or otherwise accept any Benefit Plans, or any Benefit Plan liabilities, agreements, or obligations relating to any Benefit Plan or any liabilities of Seller with respect to COBRA benefits.

(d) Schedule 2.11(d) attached hereto sets forth a list of each of Seller's employees by location and the current salary for each such employee. Seller will update such Schedule 2.11(d) on the Closing Date to include accrued vacation, sick leave and personal comp time and length of employment with the Seller for each Employee of Seller to be hired by Buyer.

2.12. Litigation. Except as described on Schedule 2.12, there is no litigation, action, suit, investigation or proceeding pending or, to the knowledge of Seller and the Stockholders, threatened before or by any court or any governmental agency which may give rise to any claim against any of the Subject Assets, impair Seller's ability to perform its obligations under this Agreement, or in any way affect Buyer's ability to continue to operate the Business as heretofore operated.

2.13. Broker's Fee. Seller has not incurred or become liable for any broker's commission or finder's fee relating to the transactions contemplated by this Agreement.

2.14. Proprietary Rights. Except for the corporate name of Carpet Products, the stylized lettered logos of such name, the Seller's logo and the use of distributors' names in connection with the Business, none of which is a registered trademark under federal or state trademark statutes, Seller does not use any patents, trademarks, tradenames, service marks, logos, copyrights or similar intangible assets in the Business.

2.15. Transactions with Affiliates. Except as set forth on Schedule 2.15, no material asset employed in the Business is owned by, leased from, leased to, sold to or purchased by, the Stockholders, or any of the Stockholders' affiliates, family members or any partnership, corporation or trust established for his, her or their benefit, or any other officer, director or employee of the Seller.

2.16. Inventory. Except as will be set forth on a Schedule 2.16 to be agreed upon by the parties prior to closing, all of the Inventory consists of items of a quality usable or saleable in the ordinary course of the Business at prevailing market prices without discount.

2.17. Accounts Receivable. Seller has delivered to Buyer a true and complete list of all accounts receivable of Seller in existence as of May __, 1996, including, without limitation, a list of any accounts which have been converted into promissory notes or any other instrument. Such list shall identify the name of the account debtor, the date of the invoice and the amount outstanding under each such invoice. All of such accounts receivable are valid and existing and represent monies due and are subject to no refunds or other adjustment and to no defenses, rights of setoff, assignments, restrictions, encumbrances or conditions enforceable by third parties on or affecting any thereof.

2.18. Financial Statements. The Seller has furnished to Buyer a true and complete copy of its balance sheet at March 31, 1995 and 1994, and the related statements of operations, retained earnings and cash flows for the years then ended, reviewed by Filippelli & Co. CPAs and prior to the Closing Date, will furnish to Buyer a true and complete copy of its balance sheet at February 29, 1996 and related statements of operations, retained earnings and cash flows for the three-month period then ended, prepared by the Seller (collectively, the "Financial

Statements"). The Financial Statements (a) are complete and correct in all material respects, (b) have been prepared in accordance with GAAP, applied on a consistent basis and (c) present fairly the financial position of the Seller at the dates indicated and its results of operations and changes in financial position for the periods indicated.

2.19 Bulk Sales Compliance. The affidavit including the attachment, supplied by the Seller and the Notice of Bulk Transfer prepared by Buyer for purposes of complying with the bulk sales laws are complete and accurate in all respects.

2.20. Material Facts. No representation or warranty made by the Seller or either of the Stockholders in this Agreement and no statement made by the Seller or either of the Stockholders in any certificate, document, exhibit, schedule, or other writing attached to this Agreement or delivered on the Closing Date, or in the Financial Statements, contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary in order to make the statements contained herein or therein not misleading.

SECTION 3. COVENANTS OF SELLER AND STOCKHOLDERS

The Seller and each of the Stockholders jointly and severally covenant and agree that from the date hereof until the Closing Date:

3.1. Access. The Buyer shall have the right, itself or through its representatives, during normal business hours and after reasonable notice (which may be verbal), to inspect the Subject Assets and the Equipment used in the Business, to inspect all books and records of the Seller related to the Business and Seller's personnel and to conduct such other due diligence as Buyer may deem necessary. The Seller shall furnish Buyer with such information respecting the Subject Assets and Seller's business as Buyer may, from time to time, reasonably request.

3.2. Conduct of Business. From the date hereof to the Closing, the Seller shall, in the ordinary course of business in connection with the Business (in addition to the representations set forth in Section 2.8 hereof):

(a) maintain existing insurance on the Subject Assets to insure against loss or damage by fire and all other hazards;

(b) take no further intentional action aimed at disrupting its business organization, relationships with its employees, suppliers, customers and others having business relations with it;

(c) refrain from doing or omitting to do any act which will cause a breach or termination of, or default under, any Assumed Contract;

(d) notify Buyer in writing promptly upon learning of the institution or threat of any action against Seller in any court, or any action against Seller before any governmental agency, and notify Buyer in writing promptly upon receipt of any administrative or court order relating to the Subject Assets;

(e) pay or cause to be paid or provided for all income, property, sales, use, franchise, excise, social security, withholding, worker's compensation and unemployment insurance taxes and all other taxes of or relating to the Subject Assets, the Equipment and all employees required to be paid to city, county, state, federal and other governmental units up to the Closing Date; and

(f) not permit the Subject Assets to be sold, transferred, conveyed or otherwise disposed of without the prior written consent of Buyer nor shall the Seller permit the Subject Assets to be pledged or otherwise encumbered without the prior written consent of the Buyer.

3.3 Accounts Receivable. Seller is not selling and Buyer is not buying any of the Seller Receivables existing as of the Closing. Such Seller Receivables shall remain the property of Seller. Until the payment in full of the Loan, Seller and the Stockholders shall use their best efforts to collect the Seller Receivables. The collection of the Seller Receivables shall be the sole responsibility of Seller; however, at the request of Seller and according to such terms as shall be mutually agreed upon by the parties, Buyer may assist Seller in collection of the Seller Receivables. Buyer agrees to pay one-half of the cost of an accounts receivable clerk to aid in such collection for a period of time following the Closing as shall be mutually agreed to by Buyer and Seller. The Seller Receivables shall serve as security for the repayment of the Loan (as hereinafter defined) from Buyer to Seller.

3.4. COBRA. Seller agrees that to the extent any provision of COBRA applies to Seller or to the transaction contemplated hereby, Seller will comply with such provision and shall indemnify and defend or settle and hold Buyer harmless against any claim, suit, loss, cost, damage, expense, demand, action or proceeding brought against Buyer to the extent that such claim, suit, demand, action or proceeding is based on a claim under any provision of COBRA as it applies to Seller; provided that such indemnification shall not apply for any such claim, suit, demand, action or proceeding if it is based on a claim that Buyer is deemed to be an employer with respect to employees of Seller or has succeeded to any COBRA obligations that would have applied to Seller if it had continued its business or group health plan.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF BUYER

In order to induce Seller and the Stockholders to enter into this Agreement, Buyer represents and warrants to Seller and the Stockholders that:

4.1. Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island.

4.2. Authority of Buyer. Buyer has the full legal right, power and authority to execute, deliver, and perform this Agreement. Buyer has taken all necessary corporate action to authorize the execution, delivery and performance by the Buyer of this Agreement.

4.3. Binding Effect. This Agreement constitutes the legal, valid, and binding obligation of Buyer, enforceable against it in accordance with its terms.

4.4. No Violation. Neither the execution and delivery by the Buyer of this Agreement, nor the consummation of the transactions contemplated hereby, violate or will violate any provision of law applicable to, or any provision of the articles of incorporation or by-laws, as amended to date, of, the Buyer.

4.5. Consents and Approvals. No consent, approval, exemption, audit, waiver, order or authorization of, or registration, qualification, designation, declaration, notice or filing with, any Person is required on the part of the Buyer in connection with the execution, delivery and performance of this Agreement.

4.6. Litigation. There is no litigation, action, suit, investigation or proceeding before or by any court or any governmental agency which may materially impair Buyer's ability to perform its obligations under this Agreement.

4.7. Broker's Fee. Except as disclosed on Schedule 4.7 hereto, Buyer has not incurred or become liable for any broker's commission or finder's fee relating to the transactions contemplated by this Agreement.

SECTION 5. CONDITIONS TO CLOSING

5.1. Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to satisfaction at the time of Closing of each of the following conditions precedent, any of which may be waived by the Buyer in its sole discretion:

(a) Each of the representations and warranties of the Seller and the Stockholders contained in this Agreement shall be true and correct in all material respects on the Closing Date and the Seller and the Stockholders shall have performed all of their respective covenants and obligations hereunder which by the terms hereof are to be performed on or before the Closing Date;

(b) All consents and approvals necessary to operate the Business in the manner in which it is presently conducted, to assume the Assumed Contracts and to consummate the transactions contemplated by this Agreement shall have been given prior to or on the Closing Date, and the terms of such consents shall be reasonably acceptable to Buyer;

(c) No action or proceeding shall have been instituted or threatened against Buyer or Seller before any court, arbitrator or governmental agency or commission seeking to restrain or prohibit, or to obtain damages against Buyer in respect of, this Agreement or consummation of the transactions contemplated hereby;

(d) There shall have occurred no material adverse change in the condition, financial or otherwise, of the Business or of the Seller;

(e) Buyer shall have received the opinion, dated the Closing Date, in form and substance satisfactory to Buyer, of Hinckley, Allen & Snyder, counsel to Seller and the Stockholders, to the effect that:

(i) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island and has the corporate power and authority to own or lease the Subject Assets and to carry on the Business;

(ii) The Seller and each of the Stockholders has the corporate power and authority to enter into and perform this Agreement and the Leases and the Loan and to consummate the transactions contemplated hereby and thereby, and this Agreement, the Leases, the Loan and all instruments of transfer and other agreements and documents executed and delivered by the Seller or either of the Stockholders in connection herewith have been duly authorized by all necessary corporate and stockholder action, and constitute the legal, valid and binding obligations

of the Seller and the Stockholders, enforceable in accordance with their terms, subject to bankruptcy, insolvency, moratorium and similar laws of general application affecting the rights and remedies of creditors generally, and subject to the availability of equitable remedies;

(iii) The execution and delivery by the Seller and the Stockholders of the Agreement and the Leases do not, and the performance by the Seller of the terms thereof will not, violate any provision of applicable law, conflict with or result in a breach of the conditions or provisions of, or constitute a default under, the Seller's certificate of incorporation or by-laws, as amended to date, any of the Assumed Contracts or any material agreement, instrument, indenture or other document to which the Seller or any Stockholder is a party or by which it, he or she is bound and of which such counsel has knowledge or violate;

(iv) The instruments of transfer delivered by Seller to Buyer at the Closing are sufficient in form to convey to Buyer all of the Subject Assets;

(v) To such counsel's knowledge, there is no action, suit, proceeding or investigation pending or threatened against Seller; and

(vi) All actions that are required to comply with the bulk transfer acts of New York and the six New England states have been carried out and the affidavit and any other documentation which is the responsibility of Seller is in proper form to comply with such acts;

(g) Seller shall have delivered to Buyer a certificate of the President of the Seller, dated as of the Closing Date, certifying as to the matters set forth in the foregoing clauses (a), (c) and (d) (except that, with regard to clause (c), such certificate shall not certify as to matters relating to Buyer);

(h) Seller shall have delivered to Buyer certificates of corporate and tax good standing issued by the Secretary of State and the Department of Taxation of the State of Rhode Island and all other states where the Seller is qualified to do business as a foreign corporation;

(i) Seller shall have delivered to Buyer a certificate of the Secretary of the Seller certifying as to the due adoption by its Board of Directors and Stockholders of resolutions authorizing the transactions contemplated by this Agreement;

(j) Seller shall have executed and delivered such other assignments reasonably satisfactory to Buyer necessary to vest in Buyer good and marketable title in and to the Subject Assets, including, without limitation, certificates of title for any owned vehicles;

(k) Buyer and the Stockholders shall have executed and delivered the Leases;

(l) Buyer shall have received satisfactory written assurances from the Seller's creditors comprising all but \$175,000 of the debt currently owed by such creditors that such companies will not interpose any objection or file any action to

enjoin or to seek damages from Buyer on account of the transactions contemplated by this Agreement and that such companies will continue doing business with Buyer following the Closing;

(m) The outstanding obligations of Seller to ITT Credit Corporation and Ocean State Business Development Corporation shall have been paid in full prior to or concurrent with the Closing or collateral substituted, in either case sufficient to release all security interests on the Subject Assets;

(n) Buyer shall have completed its satisfactory business, accounting and legal due diligence, including a satisfactory review of the schedules and matters and agreements disclosed thereon (including a review of the Assumed Contracts); and

(o) All actions that are required to comply with the bulk transfer laws of New York and the six New England states have been carried out.

(p) Buyer and Seller shall have entered into a letter agreement reasonably acceptable to both parties pursuant to which Buyer shall make a loan to Seller on the Closing Date in the approximate amount of \$261,000 (the "Loan"), which sum, together with the Purchase Price, shall be sufficient to pay in full Seller's outstanding secured obligations to ITT Credit Corp. and Ocean State Business Development Corporation, such Loan to (i) bear interest at a rate per annum of 2% in excess of the prime rate of Fleet National Bank on all amounts not paid in full 45 days following the Closing, (ii) be guaranteed by the Stockholders, (iii) be secured by a first priority security interest in the Seller Receivables and (iv) be subject to offset against by payments due and owing to Stockholders by the Buyer pursuant to the Leases.

5.2. Conditions to Obligations of Seller. Seller's obligations to consummate the transactions contemplated by this Agreement are subject to satisfaction at the time of Closing of each of the following conditions precedent, any of which may be waived by the Seller in its sole discretion:

(a) Each of the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects on the Closing Date as though made on and as of the Closing Date and Buyer shall have performed all of its covenants and obligations hereunder which by the terms hereof are to be performed on or before the Closing Date;

(b) No action or proceeding shall have been instituted or threatened against Buyer or Seller before any court, arbitrator or governmental agency or commission seeking to restrain or prohibit, or to obtain damages against Seller in respect of, this Agreement or consummation of the transactions contemplated hereby;

(c) Seller and the Stockholders shall have received the opinion, dated the Closing Date and in form and substance satisfactory to Seller, from Edwards & Angell, counsel to Buyer, to the effect that:

(i) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island;

(ii) Buyer has the corporate power and authority to enter into and perform this Agreement and the Leases and to consummate the transactions contemplated hereby and thereby, and this Agreement, the Leases and all other agreements and documents executed and delivered by Buyer have been duly authorized by all necessary corporate action of Buyer, have been duly executed and delivered by Buyer, and constitute the legal, valid and binding obligations of Buyer, enforceable in accordance with their terms, subject to bankruptcy, insolvency, moratorium and other laws of general application affecting the rights and remedies of creditors generally and subject to the availability of equitable remedies;

(iii) The execution and delivery by Buyer of the Agreement and the Leases do not, and the performance by the Buyer thereof will not, violate any provision of applicable law, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, the articles of incorporation or by-laws of Buyer, as amended to date; and

(iv) To such counsel's knowledge, there is no action, suit, proceeding or investigation pending or threatened against Buyer which may materially impair Buyer's ability to perform its obligations under this Agreement.

(d) Buyer shall have delivered to Seller and the Stockholders a certificate of the President, Vice President or Treasurer of the Buyer, dated as of the Closing Date, certifying as to the matters set forth in the foregoing clauses (a) and (b) (except that, with regard to clause (b), such certificate shall not certify as to matters relating to Seller);

(e) Buyer shall have delivered to Seller and the Stockholders a certificate of the Secretary of Buyer certifying as to the due adoption by its sole shareholder as its governing body of resolutions authorizing the transactions contemplated by this Agreement;

(f) Buyer and the Stockholders shall have executed and delivered the Leases;

(g) Buyer shall have delivered an assumption agreement reasonably satisfactory to Seller pursuant to which Buyer shall have assumed the Assumed Liabilities;

(h) Buyer shall have paid the Purchase Price to Seller;

(i) All consents and approvals necessary for Seller to consummate the transactions contemplated by this Agreement shall have been given prior to or on the Closing Date, and the terms of such consents shall be reasonably acceptable to Seller;

(j) Buyer and Seller shall have entered into a letter agreement reasonably acceptable to both parties pursuant to which Buyer shall make a loan to Seller on the Closing Date in the approximate amount of \$261,000 (the "Loan"), which sum, together with the Purchase Price, shall be sufficient to pay in full Seller's outstanding secured obligations to ITT Credit Corp. and Ocean State Business Development Corporation, such Loan to (i) bear interest at a rate per annum of 2% in excess of the prime rate of Fleet National Bank on all amounts

not paid in full 45 days following the Closing, (ii) be guaranteed by the Stockholders, (iii) be secured by a first priority security interest in the Seller Receivables and (iv) be subject to offset against by payments due and owing to Stockholders by the Buyer pursuant to the Leases.

SECTION 6. INDEMNIFICATION

6.1. Indemnification By Seller and the Stockholders. The Seller and the Stockholders shall jointly and severally indemnify and hold harmless the Buyer and its employees, representatives, officers, directors and agents, against and from any and all loss, damage and liabilities in respect of suits, claims, proceedings, demands, judgments, deficiencies, losses, damages, expenses and costs (including without limitation, interest, penalties, reasonable counsel fees and costs and expenses incurred in the investigation, defense or settlement of any claims covered by this indemnity) (collectively, the "Buyer's Indemnifiable Damages") which the Buyer may suffer or incur by reason of the non-fulfillment of any covenant or indemnity contained in this Agreement, the Leases, the Loan or any other document entered into in connection with this transaction, any misrepresentation or breach of warranty or agreement made or given by Seller or either of the Stockholders, in or pursuant to this Agreement, or any claim based on a violation of the documents referred to in Schedule 2.5 hereto, or the failure of Seller to perform any of its obligations or satisfy any of its liabilities not specifically assumed by Buyer under this Agreement.

Except as otherwise provided in this Agreement, each of the representations and warranties made by the Seller and the Stockholders in this Agreement or pursuant hereto shall survive the Closing Date for a period of two (2) years following the Closing Date; provided Buyer shall be entitled to indemnity hereunder for claims made within such period relating to the breach or violation of such representations and warranties; and provided further that any claims made by Buyer relating to a breach or violation by Seller and/or the Stockholders of Sections 2.1, 2.2, 2.6, 2.7 or Section 3 herein or relating to the failure of Seller and/or the Stockholders to perform any obligation pursuant to any non-assumed liability, shall survive indefinitely; and provided, further, that any claim against Buyer based on any claim of fraudulent transfer shall survive for a period of four (4) years following the Closing Date.

6.2. Indemnification By Buyer. The Buyer shall indemnify and hold harmless the Seller, the Stockholders and Seller's employees, representatives, officers, directors and agents, against and from any and all loss, damage and liabilities in respect of suits, claims, proceedings, demands, judgments, deficiencies, losses, damages, expenses and costs (including, without limitation, interest, penalties, reasonable counsel fees and costs and expenses incurred in the investigation, defense or settlement of any claims covered by this indemnity) (collectively, the "Seller's Indemnifiable Damages") which the Seller or either of the Stockholders may suffer or incur by reason of the non-fulfillment of any covenant or indemnity contained in this Agreement, the Leases, the Loan or any other document entered into in connection with this transaction, any misrepresentation or breach of warranty or agreement made or given by Buyer in or pursuant to this Agreement, or any of the other Transaction Documents or the failure of Seller to perform any Assumed Liabilities. Each of the representations, warranties, covenants and agreements made by the Buyer in this Agreement or pursuant hereto shall survive the Closing Date for a period of two (2) years following the Closing Date; provided that any claims made by Seller relating to the breach or violation by Buyer of Sections 4.1 or 4.2 herein or relating to the failure of Buyer to perform any obligation pursuant to any Assumed Liability shall survive indefinitely.

6.3. Notice and Right to Participate in Defense of Third Party Claims. Promptly upon receipt of notice of any claim, demand or assessment or the commencement of any suit, action or proceedings in respect of which indemnity may be sought on account of an indemnity agreement

contained in this Section 6, the party seeking indemnification (the "Indemnitee") will notify, within sufficient time to respond to such claim or answer or otherwise plea in such action, the party from whom indemnification is sought (the "Indemnitor"), in writing, thereof. Except to the extent that the Indemnitor is prejudiced thereby, the omission of such Indemnitee so to notify promptly the Indemnitor of any such claim or action shall not relieve such Indemnitor from any liability which it may have to such Indemnitee in connection therewith, on account of the indemnity agreements contained in this Section 6. In the event that any claim, demand or assessment shall be asserted, or suit, action or proceeding commenced against an Indemnitee, and it shall notify the Indemnitor of the commencement thereof, the Indemnitee shall have the right to control the defense thereof, but Indemnitor will be entitled, at its expense, to participate therein, and in the settlement thereof, with counsel satisfactory to the Indemnitee, which approval of settlement will not unreasonably be withheld.

Notwithstanding the foregoing, if the Indemnitor shall acknowledge in writing to the Indemnitee that the Indemnitor shall be fully and unconditionally obligated under the terms of its indemnity hereunder in connection with such lawsuit or action, then the Indemnitor shall be entitled, if it so elects, to take control of the defense and investigation of such lawsuit or action and to employ and engage attorneys of its own choice to handle and defend the same, at the Indemnitor's cost, risk and expense. The Indemnitee may, at its own cost, participate in such defense and investigation, and in the settlement thereof, with counsel satisfactory to the Indemnitor, which approval of settlement shall not be unreasonably withheld. Each party will cooperate with the other parties in connection with any such claim, make personnel, books and records relevant to the claim available to the other parties and grant such authorizations or limited powers of attorney to the agents, representatives and counsel of the other parties as such parties may reasonably consider desirable in connection with the defense of any such claim.

6.4. Indemnity Payments. All amounts due the Buyer from the Seller or due the Seller from the Buyer under this Section 6 shall be made promptly by wire transfer of federal funds. Buyer shall be entitled to offset any amounts due and owing by Seller and Stockholders hereunder, including the amounts due and payable under the Loan, against any payments due and owing under the Leases.

SECTION 7. MISCELLANEOUS

7.1. Fees and Expenses. Except as otherwise specifically provided for herein, each of the parties shall bear its own expenses in connection with the negotiation and the consummation of the transactions contemplated by this Agreement.

7.2. Law Governing. This Agreement shall be construed under and governed by the laws of the State of Rhode Island.

7.3. Notice. Any notice or communication given pursuant to this Agreement by any party to any other party shall be in writing and shall be deemed given when personally delivered or when sent by courier or by registered or certified mail, return receipt requested, postage prepaid to the parties at their addresses set forth on page 1 of this Agreement or to such other address as either party may hereafter designate to the other by like notice, with copies in the case of notice to the Buyer, to Laura N. Wilkinson, Esq., Edwards & Angell, One Hospital Trust Tower, Providence, RI 02903, and, in the case of notice to the Seller, to Jonathan Bell, Esq., Hinckley, Allen & Snyder, 1500 Fleet Center, Providence, RI 02903.

7.4. Confidentiality.

(a) In the event that the Closing does not occur, Buyer agrees that all information furnished to it by Seller concerning the Business (hereinafter, "Confidential Information") shall be confidential (other than information which is a matter of public knowledge or which heretofore has been or hereafter is published in or is otherwise ascertainable from any source available to the public except if such information has become public as a result of disclosure by Buyer or its representatives). The provisions hereof shall be inoperative as to particular portions if the Confidential Information (i) becomes generally available to the public other than as a result of disclosure by Buyer or its representatives or by such other person or entity, (ii) was available to the Buyer prior to disclosure by the Seller or becomes available to Buyer on a non-confidential basis from a source other than Seller or (iii) if Buyer is required by law to disclose such Confidential Information. In the event the transaction contemplated by this Agreement is not consummated, the Buyer will return to the Seller any documents containing Confidential Information without retaining copies thereof and Buyer will not use any information obtained herein for competitive advantage, nor will it employ or attempt to employ, directly or indirectly, any person who is currently an employee of Seller.

(b) From and after the date hereof the Buyer and Seller mutually agree that they shall keep all information concerning the specific economic terms and provisions of this Agreement confidential, except that either may disclose such information to its shareholders, officers, directors, lenders, financial and professional advisors. These confidentiality restrictions shall be inoperative as to any particular portions of the Agreement to the extent that either party is required by law to disclose such information.

7.5. Tax Treatment. The Seller and Buyer covenant and warrant (a) that in no tax return hereafter filed by Seller or Buyer or any of their successors or assigns will Seller, Buyer or any of their successors or assigns treat the allocation of the Purchase Price inconsistently with that provided for in Section 1.3 of this Agreement, and (b) that in no tax audit, tax examination, tax review or tax litigation will Seller, Buyer or any of their successors or assigns claim or assert that the allocation of the Purchase Price is or should be inconsistent with that provided in Section 1.3 of this Agreement.

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

7.7. Assignment; Binding Effect. This Agreement shall not be assignable by the Seller or the Buyer prior to the Closing without the prior written consent of the other except that Buyer may assign its rights hereunder to any wholly-owned subsidiary or affiliate of Buyer provided that such assignment shall not relieve Buyer of its obligations hereunder or under the Leases. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors and assigns.

7.8. Amendment; Waiver. This Agreement may be amended only by a written instrument signed by Buyer, Seller, and Stockholders. No provisions of this Agreement may be waived except by an instrument in writing signed by the party sought to be bound. No failure or delay by any party in exercising any right or remedy hereunder shall operate as a waiver thereof, and a waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver on any subsequent occasion.

7.9. Counterparts. This Agreement maybe executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

7.10. Severability. If any provision of this Agreement shall, in whole or in part, prove to be invalid for any reason, such invalidity shall affect only the portion of such provision which shall be invalid, and in all other respects this Agreement shall stand as if such invalid provision, or other invalid portion thereof, had not been a part hereof.

7.11. Entire Agreement. This Agreement, including all Schedules, sets forth the entire understanding between the parties relating to the subject matter hereof, any and all prior correspondence, conversations and memoranda or other writings being merged herein and replaced and being without effect hereon. No promises, covenants or representations of any character or nature other than those expressly stated herein have been made to induce either party to enter into this Agreement. Neither this Agreement nor any part hereof, including this provision against oral modifications, may be modified, waived or discharged except by a writing duly signed by the party sought to be bound.

7.12. Arbitration. Any dispute under this Agreement shall be immediately submitted to binding arbitration which shall be held in Providence, Rhode Island, in accordance with the rules and procedures of the American Arbitration Association applicable to commercial transactions.

IN WITNESS WHEREOF, the Seller and the Buyer have caused this Agreement to be executed by their respective duly authorized representatives, as of the date first above written.

THE BELKNAP WHITE GROUP, INC.

By: _____
Name: _____
Title: _____

CARPET PRODUCTS, INC.

By: Chester W. Barrows
Name: CHESTER W BARROWS
Title: PRESIDENT

STOCKHOLDERS:

Alice H. Barrows
Alice H. Barrows

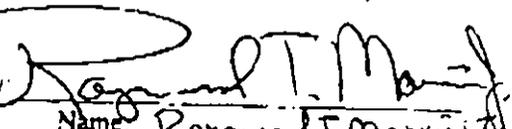
Chester W. Barrows
Chester W. Barrows

replaced and being without effect hereon. No promises, covenants or representations of any character or nature other than those expressly stated herein have been made to induce either party to enter into this Agreement. Neither this Agreement nor any part hereof, including this provision against oral modifications, may be modified, waived or discharged except by a writing duly signed by the party sought to be bound.

7.12. Arbitration. Any dispute under this Agreement shall be immediately submitted to binding arbitration which shall be held in Providence, Rhode Island, in accordance with the rules and procedures of the American Arbitration Association applicable to commercial transactions.

IN WITNESS WHEREOF, the Seller and the Buyer have caused this Agreement to be executed by their respective duly authorized representatives, as of the date first above written.

THE BELKNAP WHITE GROUP, INC

By: 
Name: Raymond J. Manville
Title: Owner

CARPET PRODUCTS, INC.

By: _____
Name _____
Title _____

STOCKHOLDERS:

Alice H. Barrows

Chester W. Barrows