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Division of Corporations

FA NO 561 833 770

P. 01 37

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Florida Department of State
Division of Corporations
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From:

Account Name : EDWARDS & ANGELL
Account Number : 075410001517
Phone : (561) 833-7700
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MERGER OR SHARE EXCHANGE

STRONG RESEARCH CORPORATION

Certificate of Status	1
Certified Copy	1
Page Count	02/15
Estimated Charge	\$87.50

35

SECRETARY OF STATE
TALLAHASSEE, FLORIDA

03 DEC 17 PM 12:37

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DIVISION OF CORPORATIONS

Corrected pursuant to
letter attached,

DEC-17-2003 WED 10:45 AM EDWARDS & ANGELL

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P. 02/37

Department of State 12/16/2003 12:00 PAGE 1/1 RightFAX



FLORIDA DEPARTMENT OF STATE

Glenda E. Hood
Secretary of State

December 16, 2003

STRONG RESEARCH CORPORATION
2971 N.E. 27TH AVENUE
LIGHTHOUSE POINT, FL 33064

SUBJECT: STRONG RESEARCH CORPORATION
REF: F0300004432

We received your electronically transmitted document. However, the document has not been filed. Please make the following corrections and refile the complete document, including the electronic filing cover sheet.

The articles of merger must contain the provisions of the plan of merger or the plan of merger must be attached.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 245-6869.

Teresa Brown
Document Specialist

FAX Aud. #: H03000334915
Letter Number: 403A00067296

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ARTICLES OF MERGER

Between

**STRC Acquisition Corp.
(a Florida Corporation)**

And

**Strong Research Corporation
(a Florida Corporation)**

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

THESE ARTICLES OF MERGER (the "Articles") are made and entered into on this 15th day of December, 2003, by and between STRC Acquisition Corp., a Florida corporation ("STRC"), and Strong Research Corporation, a Florida corporation ("Strong Research").

WITNESSETH:

WHEREAS, STRC is a corporation duly organized and existing under the laws of the State of Florida;

WHEREAS, Strong Research is a corporation duly organized and existing under the laws of the State of Florida; and

WHEREAS, the Board of Directors of each of the constituent corporations deems it advisable that Strong Research be merged into STRC on the terms and conditions hereinafter set forth, in accordance with the applicable provisions of the statutes of the state of Florida which permit such merger.

NOW, THEREFORE, STRC and Strong Research hereby state as follows:

ARTICLE I

Strong Research and STRC have been and shall be merged into one another in accordance with applicable provisions of the laws of the State of Florida, with Strong Research being the surviving corporation pursuant to the agreement and plan of merger attached as Exhibit A.

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ARTICLE II

The effective date of the Merger shall be the date of the filing of these Articles in accordance with the Florida Business Corporation Act.

ARTICLE III

The Plan was approved and adopted by the shareholders and directors of Strong Research as of December 12, 2003, in the manner prescribed by the Florida Business Corporation Act.

ARTICLE IV

The Plan was approved and adopted by the shareholders and directors of STRC as of December 12, 2003, in the manner prescribed by the Florida Business Corporation Act.

ARTICLE V

(i) The surviving entity shall be Strong Research (the "Surviving Entity"). The address of Strong Research within the State of Florida is:

Strong Research Corporation
2971 N.E. 27th Avenue
Lighthouse Point, FL 33064

(ii) The Surviving Entity is deemed to have appointed the Secretary of State of Florida as its agent for service of process in a proceeding to enforce any obligation or rights of dissenting shareholders of Strong Research.

(iii) The Surviving Entity agrees to promptly pay to any dissenting shareholders of Strong Research the amount, if any, to which he or she may be entitled under Section 607.1302 of the Florida Business Corporation Act.

[Signatures are on the following page.]

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IN WITNESS WHEREOF, STRC and Strong Research, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors and shareholders, have caused these Articles of Merger to be executed by the President of each party hereto, as of the date first set forth above.

STRC Acquisition Corp.
(a Florida Corporation)

By: Stephen P. Kuchen
Name: Stephen Kuchen
Title: President

Strong Research Corporation
(a Florida Corporation)

By: _____
Name: Gregory T. Horn
Title: President

EXECUTED IN COUNTERPARTS

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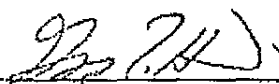
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IN WITNESS WHEREOF, STRC and Strong Research, pursuant to the approval and authority duly given by resolutions adopted by their respective Boards of Directors and shareholders, have caused these Articles of Merger to be executed by the President of each party hereto, as of the date first set forth above.

STRC Acquisition Corp.
(a Florida Corporation)

By: _____
Name: Stephen Kuchen
Title: President

Strong Research Corporation
(a Florida Corporation)

By:  _____
Name: Gregory T. Horn
Title: President

EXECUTED IN COUNTERPARTS

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EXHIBIT A

AGREEMENT AND PLAN OF MERGER

Disclosure Schedule Omitted

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PMB_STRONG RESEARCH ARTICLES OF MFRIGER/GOODMAN

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JEC/I21103
229641v4**AGREEMENT AND PLAN OF MERGER**

This Agreement and Plan of Merger ("Agreement") is entered into as of this ____ day of December, 2003, by and among PacificHealth Laboratories, Inc., a Delaware corporation ("PHLI"); STRC Acquisition Corp., a Florida corporation ("Acquisition"), Strong Research Corporation, a Florida corporation ("Strong") and Gregory T. Horn, the holder of the outstanding capital stock of Strong ("Stockholder").

BACKGROUND

Stockholder owns all of the issued and outstanding capital stock of Strong. PHLI owns all of the issued and outstanding capital stock of Acquisition. The respective boards of directors of PHLI, Acquisition and Strong have approved the Merger of Acquisition with and into Strong in accordance with the provisions of this Agreement, so that Strong will become a wholly owned subsidiary of PHLI and the Stockholder will become a shareholder of PHLI.

NOW, THEREFORE, the parties, in consideration of the mutual covenants, representations and warranties contained herein, and intending to be legally bound, hereby agree as follows:

I. DEFINITIONS

For purposes of this Agreement, in addition to terms defined elsewhere in this Agreement, the following terms shall have the meanings specified or referred to in this Section 1:

"Affiliate" shall mean with respect to PHLI, Acquisition, Strong or Stockholder, as the case may be, any person or entity which directly or indirectly is in control of, is controlled by or is under common control with such corporation or such person.

"Articles of Merger" means the Articles of Merger in form attached hereto as Exhibit "A".

"Best Efforts" - the efforts that a prudent Person desirous of achieving a result would use under similar circumstances to ensure that such result is achieved as expeditiously as possible but without incurring unreasonable expense or detriment in respect of such result.

"Claim" means any claim, security interest, pledge, mortgage, lien, charge, deed of trust, right of first refusal, option, conditional sale, bailment, lease, encumbrance or other interest in property, real or personal, tangible or intangible.

"Closing" means the taking and completion of all actions required by this Agreement to be taken at Closing or necessary and appropriate to carry out the Merger and other

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transactions contemplated hereby to be completed at Closing, all of which, except as otherwise provided herein, shall be deemed taken at the same time and effective only upon the completion of all such actions.

"Closing Date" means the date of this Agreement, or any other date agreed by the parties.

"Commission" - The United States Securities and Exchange Commission.

"Common Stock" - the authorized and outstanding shares of common stock of PIIL, par value \$.0025 per share. The Common Stock is quoted on the OTC Bulletin Board operated by the National Association of Securities Dealers under the symbol "PIIL."

"Confidential Information" - as defined in Section 9.4.

"Consent" - any approval, permit, license, certificate, consent, ratification, permission, waiver or other authorization (including any Governmental Authorization).

"Constituent Corporations" means Acquisition and Strong **"Code"** - the United States Internal Revenue Code of 1986, as amended from time to time, or any successor law.

"Contemplated Transactions" - all of the transactions contemplated by this Agreement, including, but not limited to the Merger, the issuance of the PIIL Shares to Stockholder, and the performance by each party of their respective covenants and obligations hereunder and under the agreements executed pursuant to this Agreement;

"Contract" - any agreement, contract, instrument, indenture, guaranty, power of attorney, commitment, promise, assurance, obligation or undertaking, whether or not written.

"Disclosure Schedule" means the Disclosure Schedule attached hereto.

"Effective Time" - as defined in Section 2.4.

"Encumbrance" - any lien, pledge, hypothecation, charge, mortgage, deed of trust, security interest, encumbrance, equity, trust, equitable interest, claim, easement, right-of-way, servitude, right of possession, lease tenancy, license, encroachment, intrusion, covenant, infringement, interference, Order, proxy, option, right of first refusal, community property interest, legend, defect, impediment, exception, reservation, limitation, impairment, imperfection of title, condition or restriction of any kind, including, but not limited to, restriction on the use, voting (in the case of any security), transfer, receipt of income or other exercise of any other attribute of ownership.

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

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"ERISA" - the United States Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law.

"Facilities" - any real property used in the Business or occupied by Strong, or where Services were rendered by Strong.

"Governmental Authorization" - any permit, license, franchise, approval, consent, ratification, permission, confirmation, endorsement, waiver, certification, registration, qualification or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body.

"Governmental Body" - any United States or foreign federal, state, provincial, local, municipal, or other government, or governmental or quasi-governmental authority of any nature.

"Hazardous Materials" - (i) any substance which presently is listed, defined, designated or classified as, or otherwise determined to be, hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether by type or by quantity, including any material containing any such substance as a component, (ii) any oil, petroleum additive or petroleum derived substance, and (iii) any asbestos containing materials, oils containing polychlorinated biphenyl compounds, or lead-based paint.

"IRS" shall mean the United States Internal Revenue Service.

"Knowledge" - an individual shall be deemed to have "Knowledge" of a particular fact or other matter if (i) such individual is actually aware of such fact or other matter, or (ii) a prudent individual could be expected to discover or otherwise become aware of that fact or matter in the course of conducting a reasonably comprehensive investigation regarding the accuracy of any representation or warranty contained in this Agreement. A Person (other than an individual) shall be deemed to have "Knowledge" of a particular fact or other matter if any individual who serving, or who has at any time served, as a director, officer, employee, partner, executor, or trustee of that Person (or in any similar capacity) has, or at any time had, Knowledge of that fact or other matter (as set forth in (i) or (ii) above), and any such individual (and any individual party to this Agreement) will be deemed to have conducted a reasonably comprehensive investigation regarding the accuracy of the representations and warranties made herein by that Person or individual.

"Legal Requirement" - any United States or foreign federal, state, provincial, local, municipal, or other law, statute, legislation, bill, act, enactment, constitution, resolution, proposition, initiative, canon, ordinance, code, edict, decree, proclamation, treaty, convention, rule, regulation, ruling, directive, guideline, or interpretation issued, enacted, adopted, passed, approved, ratified, endorsed, promulgated, made, entered, rendered, published or implemented by or under the authority of any Governmental Body or by the eligible voters of any jurisdiction.

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"Liabilities" means, as of any given date as to any given person, any Obligation pursuant to which any other person now or with the passage of time or upon the occurrence of any event in the future has or will have a right to assert a claim for money or equitable relief, including, without limiting the generality of the foregoing, taxes, fees, assessments or pension, profit sharing or other employee benefit plan contributions that have or may become due.

"Liability" - with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

"Merger" means the merger of Acquisition with and into Strong, as set forth in Section 2.01(a) below.

"Obligation" means any legal obligation, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, disputed or undisputed.

"Order" - any order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, sentence, subpoena, writ or award issued, made, entered or rendered by any court, administrative agency or other Governmental Body or by any arbitrator.

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

"Organizational Documents" - the articles or certificate of incorporation and the bylaws or other applicable constitutional documents of a corporation and any amendments thereto.

"PBGC" - the United States Pension Benefit Guaranty Corporation, or any successor thereto.

"Person" - any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability company, joint venture, estate, trust, cooperative, foundation, union, syndicate, league, consortium, coalition, committee, society, firm, company or other enterprise, association, organization or other entity or Governmental Body.

"Proceeding" - any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination, investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

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"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 any one or more members of such individual's Family, (c) any Person in which members of such individual's Family hold (individually or in the aggregate) a Material Interest, and (d) any Person with respect to which one or more members of such individual's Family serves as a director, officer, management employee, 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, (c) each Person that serves as a director, officer, management employee, partner, executor, or trustee of such specified Person (or in a similar capacity), (d) any Person in which such specified Person holds a Material Interest, and (e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity). For purposes of this definition, (a) "control" (including "controlling," "controlled by" and "under common control with") shall be construed as such term is used in the rules promulgated under the 33 Act; (b) 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 (c) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the 34 Act, of voting securities or other voting interest representing at least 10% of the outstanding equity securities or equity interest in a Person.

"Rules of the Commission" - any body of law, directive, statute, ordinance, code, standard, legal requirement, rule or regulation promulgated or enforced by the Commission, as amended from time to time.

"Surviving Corporation" shall mean Strong.

"Tax" - any tax (including any income tax, franchise tax, capital gains tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, inventory tax, occupancy tax, withholding tax, payroll tax, gift tax, estate tax or inheritance tax), levy, assessment, tariff, impost, imposition, toll, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, penalty or interest), imposed, assessed or collected by or under the authority of any Governmental Body or payable pursuant to any tax-sharing agreement or pursuant to any other Contract relating to the sharing or payment of any such tax, levy, assessment, tariff, impost, imposition, toll, duty, deficiency or fee.

"33 Act" - The United States Securities Exchange Act of 1933, as amended.

"34 Act" - The United States Securities Exchange Act of 1934, as amended.

"Threatened" - a claim, Proceeding, dispute, action or other matter shall be deemed to have been "Threatened" if any demand or statement shall have been made (orally or in writing) or any notice shall have been given (orally or in writing), or if any other event shall have occurred or any other circumstances shall exist, that might lead a prudent Person to

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conclude that such a claim, Proceeding, dispute, action or other matter might be asserted, commenced, taken or otherwise pursued in the future.

2. MERGER AND EXCHANGE OF STOCK.

2.1 Merger. On the terms and subject to the conditions contained in this Merger Agreement, on the Closing Date and at the Effective Time (as defined in Section 2.2) Acquisition shall be merged with and into Strong and the separate corporate existence Acquisition shall cease (the "Merger"). Strong shall be the surviving entity in the Merger and shall continue to be governed by the Florida Business Corporation Act ("FBCA"). The separate corporate existence of Strong with all its rights, privileges, powers and franchises shall continue unaffected by the Merger.

2.2 Articles of Merger. On the Closing Date, the parties shall cause a Articles of Merger (the "Articles of Merger"), meeting the requirements of the FBCA to be properly executed and filed in accordance with the FBCA. The Merger shall be effective, for corporate law purposes, at the time and on the date of the filing of the Articles of Merger in accordance with the FBCA, or at such later time as the parties may agree and specify in the Articles of Merger (the "Effective Time").

2.3 Articles of Incorporation. The Articles of Incorporation of Strong in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Entity until amended as provided by the law.

2.4 Bylaws. The Bylaws of Strong, as in effect immediately prior to the Effective Time, shall be immediately after the Effective Time the Bylaws of the Surviving Corporation until thereafter amended.

2.5 Officers. At the Effective Time, the officers of the Surviving Entity shall be as follows: Robert Portman, Ph.D., President and Chief Executive Officer Stephen P. Kuchen, Secretary and Treasurer; each will hold office until their successors are duly elected and qualified until their earlier death, resignation or removal.

2.6 Directors of Surviving Corporation. Robert Portman and Stephen Kuchen shall be the directors the Surviving Corporation from and after the Effective Time, until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Articles of Incorporation and the Bylaws.

2.7 Conversion of Stock. The manner of converting the capital stock of Acquisition and of Strong upon the Merger shall, by virtue of the Merger and without any action on the part of the holders thereof, be as follows:

- (i) The outstanding capital stock of Acquisition, all of which shall be owned by PHIL immediately prior to the Effective Time shall be converted into one Share of the Surviving Corporation and owned by PHIL.

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- (ii) The outstanding shares of capital stock of Strong existing prior to the Merger shall be converted into (A) an aggregate of 150,000 shares of PHLI Common Stock, which shall be issuable to the Stockholder at the effective time in exchange for all outstanding shares of Strong ("Initial Stock"), and (B) the right to receive 150,000 shares of the Additional Stock if and when earned pursuant to the following paragraph. The Initial Stock and any Additional Stock are referred to herein as the "PHLI Stock".
- (iii) At such time, if any, prior to September 30, 2008, as PHLI's planned product "COUNTDOWN," together with any other new product marketed primarily to the strength athlete by PHLI or its subsidiaries, attain aggregate net sales of at least \$4,000,000 in any twelve (12) consecutive month period, PHLI shall issue to the Stockholder an aggregate of 150,000 shares of Common Stock (the "Additional Stock") to the Stockholder. The right to receive the Additional Stock is personal to Stockholder and non-transferable except by will or the laws of descent and intestacy.
- (iv) All of the shares of Strong capital stock outstanding prior to the Effective Time, by virtue of the Merger and without any action on the part of the holders of such shares, shall no longer be outstanding and shall be cancelled and retired and shall cease to exist, and the holders thereof shall thereafter cease to have any rights except to receive the PHLI Stock, with the result that PHLI shall become the sole shareholder of the Surviving Entity. From and after the Effective Time, until surrendered to the Surviving Entity, each certificate therefor representing Strong capital stock shall be deemed for all corporate purposes to evidence PHLI Stock into which such shares shall have been converted pursuant to this section. Unless and until any such certificates shall be so surrendered, the holder of such certificate shall not have any right to receive any dividends paid or other distributions made to holders of record of PHLI Common Stock after the Effective Time. Upon surrender of a certificate representing Strong capital stock, the holder of record thereof shall receive together with certificates representing the shares of PHLI Common Stock to which such holder shall be entitled, all dividends and other distributions which shall have been paid or made to holders of record of PHLI Common Stock, without interest.
- (v) Each share of Strong capital stock held in the treasury of Strong immediately prior to the Effective Time shall be cancelled and retired and shall cease to exist, and no consideration shall be paid with respect thereto

2.8 Registration Rights. PHLI shall, at its own expense (excluding underwriting commissions and discounts), use commercially reasonable efforts within two hundred and seventy (270) days after the Effective Time with the Securities and Exchange Commission ("SEC") pursuant to the Securities Act of 1933, as amended (the "1933 Act"), registering the Initial Stock for public resale and to cause such registration statement to be declared effective by the SEC within sixty (60) days thereafter. Within ninety (90) days following the issuance of the Additional Stock, PHLI shall use commercially reasonable best

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efforts to file a registration statement with the SEC covering the Additional Stock. The registration rights under this Section 2.8 shall not be assignable except to family trusts or controlled affiliates. PHLI shall keep each of such registration statements current and effective for a period of three years after the date that each of such registration statements is declared effective by the SEC.

2.9 Provisions Regarding Liabilities of Strong.

(a) It is the intention of the parties that Strong shall have no Liabilities of any kind at the Effective Time other than as set forth in section 2.9 of the Disclosure Schedule or as may be explicitly agreed by PHLI in writing. It is expected that Strong has satisfied all such Liabilities prior to Closing. In connection with this, the Stockholder agrees that, in addition to any indemnification obligations under Article 6 of this Agreement, he shall satisfy all Liabilities of Strong, except for those listed on Schedule 2.9, which are asserted after Closing. In addition, the Stockholder hereby releases and discharges each and every of Liability which Strong has or may have to such Stockholder as of the Effective Date, whether or not matured, and whether fixed or contingent, arising out of any matter or cause whatsoever, except as may be explicitly agreed by PHLI in writing.

(b) Section 2.9 of the Disclosure Schedule includes a list of consultants to Strong who are or may be due compensation for services rendered prior to Closing. At or about the time of Closing, PHLI shall satisfy the obligations of Strong to these consultants by issuing to the consultants shares of PHLI common stock in the amounts set forth in the Disclosure Schedule. Delivery of such shares shall be contingent upon the execution by such consultants of an instrument pursuant to which appropriate investment representations are made with respect to the shares, the consultants agree to accept the shares (and certain payments from Strong to be funded by Stockholder's capital contributions prior to Closing) in full satisfaction of any obligations of Strong, and the consultants agree to provisions regarding Strong's ownership of intellectual property and other work product as may be required by counsel to Strong and PHLI.

(c) PHLI agrees to prepare, at its expense, all required federal, state and local income tax returns for Strong for periods including the portion of 2003 prior to Closing, but PHLI shall not be liable for any tax due. Stockholder shall provide reasonable assistance to PHLI in preparing such returns, and such returns shall be subject to his approval prior to filing.

2.10 Closing. Upon execution of this Agreement by all parties, the Articles of Merger shall be filed as contemplated in Section 2.3, and upon filing of the Articles of Merger at the Effective Time, Closing of the Contemplated Transactions shall be deemed to have occurred. PHLI thereafter shall promptly instruct its transfer agent to issue the Initial Stock in the name of the Stockholder. Such transfer agent shall deliver the certificate for the Initial Stock to Gary A. Miller, Esquire, Eckert Seamans Cherin & Mellott, LLC, 1515 Market St., 9th Floor, Philadelphia, PA 19103 ("PHLI Counsel"), and the Stockholder shall deliver to PHLI counsel the certificate representing the outstanding Strong Capital Stock, duly endorsed for transfer. Upon receipt of such Strong stock certificate, PHLI Counsel shall deliver to the Stockholder the certificate for the Stockholder's Initial Stock.

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2.11 Tax Consequences. For federal income tax purposes, the parties intend that the Merger be treated as a reorganization within the meaning of Section 368(a) of the Code, and that this Agreement shall be, and is hereby, adopted as a plan of reorganization for purposes of Section 368 of the Code. The parties shall not take a position on any Tax Return (as defined herein) inconsistent with this Section 2.11.

3. REPRESENTATIONS AND WARRANTIES OF STRONG AND STRONG'S PARENT

Strong and the Stockholder, severally and jointly, represent and warrant to PHIL and Acquisition on the date hereof and as of the Closing Date as follows.

3.1 Organization, Good Standing and Stock Ownership.

(a) Strong is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation with full corporate power and authority to conduct its business as it is now being conducted, to own, use or hold under lease the properties and assets which it owns, use or hold under lease and perform all its obligations under the agreements and instruments to which it is a party or by which it is bound. Strong is duly qualified to do business as a foreign corporation and is in good standing under the laws of such state or other jurisdiction in which either the ownership, use or lease of the properties and assets, or the nature of the activities conducted by it, requires such qualification.

(b) Complete and accurate copies of Organizational Documents of Strong, as currently in effect, have been provided to PHIL.

(c) Strong has no subsidiaries and does not own any capital stock or other securities of any other Person.

(d) The authorized capital stock of the Strong consists of 2,000 shares of common stock, par value \$.01 of which 2,000 shares are issued and outstanding. All of the outstanding capital stock of Strong is validly issued, fully paid and nonassessable, is not subject to, nor was issued in violation of, any preemptive rights. All of the outstanding shares of capital stock of Strong are owned beneficially and of record by the Stockholder. The Stockholder's valid business or residence address is set forth in Section 3.1 of the Disclosure Schedule. There are no and there shall be no as of the Closing: (i) shares of capital stock of Strong authorized, issued or outstanding other than the capital stock identified in the preceding sentence and Section 3.1 of the Disclosure Schedule or (ii) outstanding subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character obligating Strong or any Stockholder to issue, transfer, sell or purchase, presently or in the future, any shares of Strong's capital stock or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of Strong's capital stock. There are no voting trusts, effective proxies or other agreements or understandings with respect to the voting of the capital stock of Strong, nor any agreement restricting the voting or transfer of any shares of Strong capital stock.

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(e) The Stockholder represents and warrants that the shares listed as owned by the Stockholder on the Disclosure Schedule are owned beneficially and of record solely by the Stockholder, free and clear of Encumbrances, restrictions or any of the matters referred to in paragraph (d), above.

3.2 Authority; No Conflict. This Agreement constitutes the legal, valid and binding obligation of the Strong and the Stockholder, enforceable against each of them in accordance with its terms. Strong and the Stockholder have the absolute and unrestricted right, power and authority (including requisite corporate power, authority and capacity) to execute and deliver this Agreement and to perform their obligations under this Agreement and the Contemplated Transaction, and such action has been duly authorized by all necessary action of the Stockholder and board of directors of Strong.. Neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions by Strong and the Stockholder will, directly or indirectly:

(a) conflict with or result in a violation of (i) any of the provisions of the Organizational Documents of Strong (ii) any resolution adopted by the board of directors or Stockholder of Strong ;

(b) conflict with or result (with or without notice or lapse of time) in a violation of any Legal Requirement or any Order to which Strong, the Stockholder or any of their assets may be subject;

(c) conflict with, result (with or without notice or lapse of time) in a violation or breach of any of the provisions of, or give any Person the right (with or without notice or lapse of time) to declare a default or exercise any remedy under, or to accelerate the maturity or performance of or cancel, terminate or modify, any Contract;

(d) conflict with and result (with or without notice or lapse of time) in the imposition or creation of any Encumbrance upon or with respect to any of Strong's capital stock or assets; or

(e) contravene, conflict with, or result in a violation or breach of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by Strong.

Strong and the Stockholder are not, nor will either 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 Strong's Closing Documents or the consummation or performance of any of the Contemplated Transactions.

3.3 Title to Properties; Encumbrances. Section 3.3 of the Disclosure Schedule contains a complete and accurate list of all of the material assets owned, leased or otherwise used in the business of Strong, and all Encumbrances on any such assets. Strong has good and marketable title to all of such that it purports to own, free and clear of all

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Encumbrances, except the Encumbrances identified on Section 3.3 of the Disclosure Letter. Strong has a valid leasehold interest in all of the assets that it purports to lease.

3.4 Financial Information; Undisclosed Liabilities. All financial information provided by Strong to PIHLI has been prepared in accordance with the books and records of the Strong, which books and records were, and will be as of Closing, accurate and complete. Except as disclosed in Section 3.4 of the Disclosure Schedule, such financial information accurately, fairly and completely reflects the financial position of the Strong as of the dates reflected in such information and the results of operations for the periods indicated. Strong has no Liabilities of any type whatsoever, fixed or contingent, which are not accurately, fairly and completely shown or provided for in the Disclosure Schedule, except trade payables occurring in Ordinary Course of Business and which accrued during the thirty days prior to Closing.

3.5 Condition; Sufficiency; Possession Of Assets. Except as disclosed in Section 3.5 of the Disclosure Schedule, the assets listed on Section 3.3 of the Disclosure Schedule (i) constitute all of the assets, tangible or intangible, of any nature whatsoever, necessary to operate the Business and all of the assets actually used in Strong's business in the manner presently operated by Strong, and (ii) include all of the operating assets of the Strong. Strong owns no tangible assets.

3.6 No Material Adverse Change. Since September 1, 2003, there has not been any material adverse change in the business, finances, operations, prospects, properties, assets, results of operations or condition (financial or otherwise) of Strong or the Business, and no event, condition or contingency exists that may result in such a material adverse change.

3.7 Benefit Plans. Strong does not have, and never has had, any pension, retirement, profit sharing, thrift-savings, excess benefit, deferred compensation, incentive compensation, severance pay, cafeteria, flexible compensation, life insurance, medical, hospitalization, dental, disability, welfare, or vacation plans or arrangements of any kind or any other Employee Pension Benefit Plan or Employee Welfare Benefit Plan (as defined in Section 3 of ERISA), or any combination of the foregoing established, maintained, sponsored, contributed to or otherwise participated in by Strong for any of its employees (each a "Plan", and collectively the "Plans").

3.8 Compliance With Legal Requirements; Governmental Authorizations.

(a) Except as set forth in Section 3.9(a) of the Disclosure Letter:

(i) Strong is, and at all times has been, in full compliance with each Legal Requirement that is or was applicable to it or to the conduct or operation of its Business or ownership or use of its assets and all work performed by Strong on behalf of any customers or clients has been performed in full compliance with all Legal Requirements;

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(ii) No event has occurred, and no condition or circumstance exists, that might (with or without notice or lapse of time) (A) constitute or result directly or indirectly in a violation by Strong of, or a failure on the part of Strong to comply with, any Legal Requirement, or (B) may give rise to any obligation on the part of Strong to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) Strong has not received at any time any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of, or failure to comply with, any Legal Requirement or (B) any actual or alleged, obligation on the part of Strong to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Strong has no Governmental Authorization.

3.10 Legal Proceedings; Orders.

(a) There is no pending or, to Strong's or Stockholder's Knowledge, Threatened Proceeding:

(i) by or against Strong or that otherwise relates to or may affect the business of, or any of the assets owned by, Strong; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions.

To the Knowledge of Strong and Stockholder, 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.

(b) There is no Order to which Strong or any of its officers, directors, agents or representatives, or the business or any of Strong's assets is subject; or to the Knowledge of Strong and Stockholder, no officer, director, agent, contractor or employee of Strong is subject to any Order that prohibits such officer, director, agent, contractor or employee from engaging in or continuing any conduct, activity or practice related to the Business.

3.11 Absence Of Certain Changes And Events. Since September 1, 2003, Strong has acted only in the Ordinary Course of Business, and there has not been any:

(a) change in the business, finances, operations, properties, assets, results of operations or condition (financial or otherwise) of Strong, and no event, condition or contingency which has individually or in the aggregate had or could have a material adverse effect on the business, finances, prospects, operations, properties, assets, results of operations or condition (financial or otherwise) of Strong;

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- (b) damage, destruction, or loss to any asset or property of the Strong;
- (c) entry into, termination, or receipt of notice of termination of (i) any license, distributorship, dealer, sales representative, joint venture, or similar agreement to which Strong is a party or by which Strong is bound or (ii) any Contract or transaction to which Strong is a party or by which Strong is bound involving a total remaining commitment by Strong of more than \$5,000;
- (d) payment or increase by Strong of any bonuses, salaries, or other compensation to any officer, or (except in the Ordinary Course of Business) employee or by Strong or entry into any employment, severance, or similar Contract with any director, officer, or employee or the increase or other change in any payments or fees of any type to any Related Person of Strong;
- (e) 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;
- (f) sale, lease, or other disposition of any material asset or property of Strong, or mortgage, pledge, or imposition of any lien or other Encumbrance on any of the Acquisition Assets or other material asset or property of Strong;
- (g) sale, assignment or grant of any rights related to Strong's business;
- (h) cancellation or waiver of any claims or rights related to Strong's business;
- (i) declaration or payment of any dividend on, or any distribution in respect to, Strong's securities, or any direct or indirect redemption, purchase or other acquisition of any such securities;
- (j) acquisition or agreement (whether oral or written) to acquire by merger or consolidation with, or by purchasing an equity interest in or the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or otherwise acquire or agree to acquire or dispose of any material assets other than in the Ordinary Course of Business;
- (k) incurrence, assumption, pre-payment, guarantee or re-financing of, or endorsement or other agreement to become liable or responsible for (whether directly, contingently or otherwise), any indebtedness for borrowed money or other obligation, except in the Ordinary Course of Business;
- (l) agreement, whether oral or written, to do any of the foregoing.

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3.12 Contracts; No Defaults.

(a) Section 3.12(a) of the Disclosure Schedule lists, and Strong has delivered to PHII copies of any written contracts, all Contracts described in (i) through (xv) below, if any, to which Strong is a party:

(i) Each Contract that involves performance of services or delivery of goods and/or materials by Strong or receipts of an amount or value in excess of \$1,000;

(ii) Each Contract that involves performance of Services or delivery of goods and/or materials to Strong or expenditures of an amount or value in excess of \$1000;

(iii) Each Contract not entered into in the Ordinary Course of Business;

(iv) Each licensing agreement or other Contract with respect to patents, trademarks, copyrights, or other intellectual property asset, including agreements with current or former employees, consultants, or contractors regarding the appropriation or the non-disclosure of intellectual property assets;

(v) Each Contract to which, to Strong's Knowledge, any employee, consultant, contractor or Related Person of Strong is bound which in any manner purports to (A) restrict such employee's, consultant's, contractor's or Related Person's freedom to engage in any line of business or to compete with any other Person, or (B) assign to any other Person such employee's, consultant's, contractor's or Related Person's rights to any invention, improvement, or discovery;

(vi) Each consulting or employment agreement, collective bargaining agreement or other Contract to or with any individual employee, labor union or employee representative of a group of employees relating to wages, hours, and other conditions of employment, including without limitation bonuses (including loyalty bonuses), deferred compensation, or severance;

(vii) Each joint venture, partnership or other Contract (however named) involving a sharing of profits, losses, costs, or liabilities by Strong with any other Person;

(viii) Each Contract containing covenants which in any way purport to restrict Strong's business activity or purport to limit the freedom of Strong to engage in any line of business or to compete with any Person;

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(ix) Each written warranty, guaranty or other similar undertaking with respect to contractual performance extended by Strong;

(x) Each loan, credit, revolving credit, lease, promissory note or any other agreement which may result in an Encumbrance on any Acquisition Asset;

(xi) Each Contract contemplating capital expenditures in excess of \$1,000;

(xii) Each lease to which Strong is a party or by which Strong is bound;

(xiii) Each dealership, representative, distributor, franchise or agency agreement;

(xiv) Each Contract entered into other than at arms length, including without limitation, any Contract with any Related Person; and

(xvi) Each amendment, supplement, and modification (whether written or oral) in respect of any of the foregoing;

True, complete and accurate copies of each Contract described in (i) through (xvi) above have been provided to Buyer.

(h) Except as set forth in Section 3.12(b) of the Disclosure Schedule, all of the Contracts listed in the Disclosure Schedule are in full force and effect, are valid and enforceable in accordance with their terms (except as may be limited by laws of bankruptcy and general principles of equity and judicial discretion), no notices have been given to the effect that a party is or may become in default or breach of such contracts, and no condition exists or event has occurred which, with notice or lapse of time or both, would constitute a default by any party thereto or a basis for any claim of excusable delay or non-performance thereunder.

(e) Except as specified in the Disclosure Schedule, none of the Contracts listed in the Disclosure Schedule requires the consent of any other Person for Strong to execute this Agreement or enter into the Contemplated Transactions.

3.13 Environmental Matters. Strong (i) is, and at all times prior has been, in material compliance with, and has not been and is not in violation of or liable under, all Environmental Laws applicable to it or to the ownership or operation of its assets and (ii) has no basis to expect, nor has Strong received, any Order, notice, or other communication from any Governmental Body, including but not limited to those administering or enforcing any Environmental Law, or any other Person, of any alleged, actual, or potential violation and/or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of remediation under any Environmental Law related to the conduct of the Business by Strong or to which Hazardous Materials generated, manufactured, refined, transferred, imported, used or processed by Strong or any other Person for whose conduct it is or

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may be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled or received.

3.14 Employees.

(a) Section 3.14(a) of the Disclosure Letter contains a current list of the following information for each current and former director, officer, employee, consultant, independent contractor, and agent of Strong (including each of the foregoing on leave of absence or layoff status): name, classification as employee or independent contractor, job title, current compensation (including bonus or incentive compensation), sick and vacation leave and other benefits accrued.

(b) Except as disclosed in Section 3.14(b) of the Disclosure Letter, to the Knowledge of Strong, no current or former director, officer, employee, consultant, independent contractor, or agent of Strong is bound by any Contract or Order or Proceeding that purports to limit the ability of the foregoing (i) to engage in or continue or perform any conduct, activity, duties or practice relating to the business of Strong or PHLI, (ii) to assign to Strong or to any other Person any rights to any invention, improvement or discovery, or (iii) to compete with or disclose or discuss any matters related to the business or any of the assets of Strong or PHLI ("Proprietary Rights Agreement").

(c) To the Knowledge of Strong no director, officer, employee, consultant, independent contractor, and agent of Strong has any plans or intention to terminate any form of employment, consulting, agency, supplier, vendor or other relationship with Strong or the Surviving Corporation.

3.15 Labor Disputes; Compliance. Strong has complied in all respects with all Legal Requirements related to employment practices, terms and conditions of employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining and other similar Legal Requirements, the payment of social security and similar Taxes, and occupational safety and health, and no claim has been made by any Person or Governmental Body that Strong has not complied with any of the foregoing Legal Requirements, and to the Knowledge of Strong each consultant, independent contractor, and agent of Strong has complied in all respects with the foregoing Legal Requirements and no claim has been made by any Person or Governmental Body that the consultant, independent contractor, or agent of Strong has not complied with any of the foregoing Legal Requirements. Strong is not liable for the payment of any Taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Legal Requirements, and to the Knowledge of Strong no consultant, independent contractor, and agent of Strong is liable for payment of any Taxes fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Legal Requirements.

3.16 Intellectual Property.

(a) **Contracts Relating to Intellectual Property.** Set forth on Schedule 3.16 of the Disclosure Schedule is a complete and accurate list and summary

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description, including any royalties paid or received by Strong, of all contracts ("IP Contracts") relating to software, patents, copyrights, and copyrightable material, websites, domain names, trademarks, know-how, trade secrets or other intellectual property owned, licensed or used by Strong (collectively the "Intellectual Property"). There are no outstanding or threatened disputes or disagreements under any of the IP Contracts. No default or event which, with the passage of time or giving of notice or both, would cause a default, has occurred with respect to any party under the IP Contracts.

(b) Ownership in General. Except as set forth in Section 3.16 of the Disclosure Schedule, Strong is the sole owner of all right, title, and interest in and to all Intellectual Property (whether or not listed on the Disclosure Schedule), free and clear of all Encumbrances, equities, licenses, restrictions, agreements and other adverse claims, and has the right to use all of the Intellectual Property without payment to a third party.

(c) Employee and Consultant Contracts Relating to Intellectual Property. No employee of Strong 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 Strong. Section 3.16 of the Disclosure Schedule sets forth a list of all persons or entities who have been engaged in the development of any Intellectual Property or in any research and development activities for or relating to Strong who are not employees of Strong. Except as set forth on the Disclosure Schedule, all such non-employees executed binding agreements effectively assigning to Strong all rights to any Intellectual Property relating to the business or research and development activities of Strong. All employees engaged in the development of any Intellectual Property of Strong developed such Intellectual Property within the scope of their employment.

(d) Patents. Schedule 3.16 lists all patents and patent applications owned, licensed or otherwise used by Strong or which Strong intends to use in its business. No such patent or application has been or is now involved in any interference, reissue, reexamination, or opposition proceeding. There is no potentially interfering patent or to Strong's knowledge, patent application of any third party.

(e) No Infringement. None of the products contemplated to be manufactured or sold, nor any process or know-how used or intended to be used, by Strong infringes or is alleged to infringe any patent or other proprietary right of any third party.

(f) Trademarks. Section 3.16 of the Disclosure Schedule contains a complete and accurate list and summary description of Strong's trademarks. Strong is the owner of all right, title and interest in and to each of the trademarks, free and clear of all Encumbrances.

(g) Trademarks Compliance with Legal Requirements. All trademarks that are listed as having 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

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within ninety days after the Effective Time. All products and materials containing a trademark bear the proper federal registration notice where permitted by law.

(h) No Contests to Trademarks. No trademark has been or is now involved in any opposition, invalidation, or cancellation and no such action is threatened with the respect to any of the trademarks. Strong has received no correspondence or other action from the United States Patent and Trademark Office regarding any application for registration of a trademark which has not yet been registered, other the publication for opposition of such trademarks.

(i) No Interfering Trademarks. There is no potentially interfering trademark or trademark application of any third party. No trademark has been infringed or has been challenged or threatened in any way. None of the trademarks used by Strong infringes or has been alleged to infringe any trade name, trademark, or service mark or other rights of any third party.

(j) Copyrights. Section 3.16 of the Disclosure Schedule contains a complete and accurate list and summary description of all copyrights or copyrightable materials used or contemplated to be used by Strong in its business. Strong is the owner of all right, title and interest in and to each of the copyrights, free and clear of all Encumbrances.

(k) Copyright Compliance with Legal Requirements. All the copyrights have been registered and are currently in compliance with formal legal requirements, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the date of Effective Time.

(l) No Copyright Infringement. No copyright is infringed or has been challenged or threatened in any way. None of the subject matter of any of the copyrights infringes or is alleged to infringe any copyright of any third party or is a derivative work based on the work of a third party. All works encompassed by the copyrights have been marked with the proper copyright notice.

(m) Trade Secrets. With respect to each trade secret owned, purported to be owned, used or contemplated to be used by Strong in its business, 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.

(n) No Infringement of Intellectual Property Rights of Third Parties. Strong has not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any intellectual property rights of other persons or entities. The products contemplated to be sold based upon Strong's patents, and the use of any trademarks of Strong, will not interfere with or infringe upon any rights of any persons or entities. Neither Strong nor its employees, officers or contractors have ever received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that Strong must license or refrain from using any intellectual property rights of any

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third party), and has no knowledge of the basis for any such claim, etc. To the knowledge of Strong, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property.

(o) **Protection of Trade Secrets.** Strong has taken all reasonable precautions to protect the secrecy, confidentiality, and value of its trade secrets. Strong has good title and an absolute right to use its trade secrets. The trade secrets are not part of the public knowledge or literature, and have not been used, divulged, or appropriated either for the benefit of any person or to the detriment of Strong. No trade secret is subject to any adverse claim or to the knowledge of Strong has been challenged or threatened in any way.

(p) **Domain Names.** Section 3.16 of the Disclosure Schedule includes each Internet domain name used, owned or developed by Strong ("Domain Names"). All Domain Names are registered in the name of Strong and such registrations are in good standing until at least December 31, 2003. To Strong's knowledge, no action has been taken or is pending to challenge rights to, suspend, cancel or disable any Domain Name, registration therefore or the right of Strong to use a Domain Name. Strong has all right, title and interest in and to, and rights to use on the Internet and otherwise as a trademark and trade name, the Domain Names.

(q) **Computer Programs and Software.** All computer programs and software currently being used in the business of Strong (the "Software") is owned by Strong or held under valid license agreements. Strong has not licensed anyone to use any of the Software. There is no Software owned by or exclusively licensed to Strong. No person has claimed that any use of Software by Strong infringes the rights of any person.

3.17 Certain Payments. Neither of the Strong nor any director, officer, agent or employee of Strong has and to Strong's Knowledge no other Person associated with or acting for or on behalf of Strong has, directly or indirectly made any unlawful 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 business secured or (iii) to obtain special concessions or for special concessions already obtained for or in respect of Strong.

3.18 Brokers Or Finders. Neither of the Strong nor any Related Person of Strong has incurred any liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other like payment in connection with this Agreement.

3.19 Taxes.

(a) Strong commenced business in early 2003 and has filed no tax returns or reports with respect to Taxes, nor have any material tax returns been required. No claim has ever been made or is expected to be made by any Governmental Body in a jurisdiction where Strong does not file tax returns that it is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of Strong's assets that arose in connection with any failure (or alleged failure) to pay any Taxes, and to the Knowledge of Strong, there is no basis for an

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assertion of any claims attributable to Taxes which, if adversely determined, would result in any such Encumbrance.

(b) Since its inception, Strong has not generated any revenue or disposed of any assets.

3.20 Insurance. Strong maintains no insurance policies or bonds.

3.21 Securities Law Representations. The Stockholder represents and warrants to PHLI as follows:

(a) he understands that unless and until PHLI files a registration statement to register the PHLI Shares, the PHLI Shares issued to the Stockholder in connection with the Merger (i) will not be registered under the '33 Act, (ii) will be "restricted securities" which are subject to restrictions on subsequent resale or other transfer under the '33 Act, (and iii) will contain a legend on each certificate in substantially the same form and substance as the following:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAW. THE SECURITIES MAY NOT BE TRANSFERRED WITHOUT REGISTRATION UNDER SUCH LAWS UNLESS AN EXEMPTION FROM SUCH LAWS IS AVAILABLE.

PHLI will instruct its registrar and transfer agent not to register the transfer of any shares of Common Stock transferred or attempted to be transferred unless the conditions specified in the legend are satisfied.

(b) he is acquiring the Common Stock for investment purposes only for its own account and not with any view toward distribution thereof.

(c) he has no contract, undertaking, agreement or arrangement with any Person to sell, transfer or pledge to such Person or anyone else any of the PHLI Shares, and has no present intent to enter into any such contract, undertaking, agreement or arrangement.

(d) he acknowledges that because of these restrictions, unless a registration statement is filed with respect to the PHLI Shares, the Stockholder will not be permitted to sell any of the PHLI Shares in the public market for at least one year, and thereafter subject to the conditions and limitations of Rule 144 under the '33 Act.

(e) he has been furnished with copies of, or had access to, all quarterly reports on form 10-QSB and all current reports on form 8-K filed by PHLI during 2003m PHLI's annual report on form 10-KSB for the year ended December 31, 2002, and PHLI's proxy statement for its last annual meeting of Stockholder. Such Stockholder's decision accept shares

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PHLI in exchange for shares of Strong is based on the information contained in those reports and the terms of this Agreement.

(f) he is able to fend for himself and can assess the economic risk of investment in the PHLI Shares and that he has such knowledge and experience in financial and business matters that it can be assumed to be capable of evaluating the merits and risks of an investment in the Consideration Shares.

(g) he understands that (i) the investment in the PHLI Shares involves a high degree of risk, (ii) there is no assurance as to the future performance of PHLI, and (iii) there is no assurance that there will be a public market for the PHLI Shares after the restrictions on the PHLI Shares lapse.

3.22 Disclosure.

(a) No representation or warranty of Strong contained in this Agreement, and no statement in the Disclosure Schedule or other documents provided by Strong to PHLI in connection with the Contemplated Transactions, contains any untrue statement of material fact. No representation or warranty of Strong contained in this Agreement, and no statement in the Disclosure Schedule or other documents provided by Strong to PHLI in connection with the Contemplated Transactions, omits to state a material fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

(b) No investigation or Knowledge of PHLI, whether conducted or acquired before or after Closing, shall affect the representations and warranties made by Strong or Stockholder in this Agreement and any such investigation or Knowledge shall not be a defense to any claim that such representations and warrants are false, incorrect or misleading.

3.23 Related Parties. Except as set forth in Section 3.23 of the Disclosure Schedule, neither Stockholder nor any Related Person has any interest in any Intellectual Property of Strong.

4. REPRESENTATIONS AND WARRANTIES OF PHLI

PHLI represents and warrants to Strong and the Stockholder as follows.

4.1 Organization and Good Standing. PHLI and Acquisition are corporations duly organized, validly existing and in good standing under the laws of their jurisdictions of incorporation.

4.2 Authority; No Conflict.

(a) PHLI and Acquisition have full corporate power and authority to execute and deliver this Agreement and to perform their obligations hereunder. This Agreement

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has been duly authorized, executed, and delivered by PHIL and Acquisition and constitutes the legal, valid and binding obligation of PHIL and Acquisition enforceable against each of them in accordance with its terms.

(b) Neither the execution and delivery of this Agreement by PHIL and Acquisition nor the consummation of the Contemplated Transactions will (i) violate or conflict with any provision of the Organizational Documents of PHIL or Acquisition, or (ii) violate or conflict with any provision of any Legal Requirement binding upon PHIL or Acquisition.

(c) As of the Closing, PHIL and Acquisition shall have given all required notices and shall have obtained all necessary Consents in order to execute and delivery of this Agreement.

4.3 Brokers Or Finders. None of PHIL, Acquisition or any Related Person to them has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other like payment in connection with this Agreement the liability for which could pass to the Stockholder, and PHIL will indemnify and hold Stockholder harmless from any such payment alleged to be due by or through PHIL or Acquisition as a result of the action of PHIL or Acquisition or any Related Person of either of them.

4.4 Certain Proceedings. There is no pending Proceeding that has been commenced against PHIL or Acquisition which challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To PHIL and Acquisition's knowledge, no such Proceeding has been Threatened.

4.5 Securities Filings. (a) As of the Closing, PHIL has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a 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. As of their respective dates, the financial statements of PHIL included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of PHIL as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

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(b) No investigation or Knowledge of Stockholder, whether conducted or acquired before or after Closing, shall affect the representations and warranties made PHLI or Acquisition in this Agreement, and any such investigation or Knowledge shall not be a defense to any claim that such representations and warrants are false, incorrect or misleading

5. MUTUAL COVENANTS.

5.1 Further Assurances. Each of Strong, the Stockholder and PHLI will, upon request of the other party from time to time after the Closing, execute and deliver, and use its Best Efforts to cause other Persons to execute and deliver to the other all such further documents, instruments and assignments, and will do or use its reasonable efforts to cause to be done such other acts, as the other may reasonably request more completely to consummate and make effective the Contemplated Transactions.

5.2 Expenses.

(a) Except as expressly otherwise provided herein, each party to this Agreement shall bear its respective expenses incurred in connection with the preparation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel and accountants. In the case of termination of this Agreement, the obligation of each party to pay its own expenses shall be subject to any rights of such party arising from a breach of this Agreement by another party.

(b) Upon the consummation of the Contemplated Transactions, PHLI shall be responsible for, and shall promptly pay, all legal and other out-of-pocket expenses of Strong and the Stockholder incurred in connection with the Contemplated Transaction (including the costs of due diligence and organization matters), excluding costs relating to the compensation and consulting arrangement with the Strong consultants.

5.3 Public Announcements. No public announcement or similar publicity with respect to this Agreement or the Contemplated Transactions shall be made by Strong or Stockholder. Upon Closing, PHLI shall issue a press release regarding the Contemplated Transactions provided it has first given the Stockholder a reasonable opportunity to comment on the subject matter and the form of the announcement. Unless consented to in writing by the PHLI in advance or required by Legal Requirements, prior to the Closing Strong and the Stockholder shall keep the provisions of this Agreement and the existence of the Contemplated Transactions strictly confidential and make no disclosure thereof to any Person.

6. INDEMNIFICATION AND SURVIVAL OR REMEDIES.

6.1 Indemnification by Stockholder. The Stockholder shall, subject to the terms and conditions of this Article 8 indemnify and hold the Surviving Corporation and PHLI harmless in respect of the aggregate of all Indemnifiable Damages (as herein defined) of the Surviving Corporation and PHLI.

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(a) "Indemnifiable Damages" of the Surviving Entity or PHLI means, without duplication, the aggregate of all expenses, losses, diminution in value, costs, deficiencies, liabilities and damages (including reasonable related counsel fees and expenses) incurred or suffered by the Surviving Entity or PHLI to the extent (i) resulting from any breach of a representation or warranty of Strong or the Stockholder contained in this Agreement; (ii) resulting from any breach of the covenants or agreements of Strong or the Stockholder Agreement; or (iii) resulting from or arising out of any Liability of Strong existing prior to the Effective Time, except for the Liabilities listed on Section 2.9 of the Disclosure Schedule.

(b) Without limiting the generality of the foregoing, with respect to the measurement of Indemnifiable Damages, the Surviving Entity and PHLI shall have the right to be put in the same after-tax financial position as they would have been in had each of the representations and warranties of Strong and the Stockholder been true and complete and had each of the covenants of Strong and the Stockholder been performed in full.

(c) Each of the representations and warranties made by Strong or the Stockholder in this Agreement or pursuant hereto shall survive for a period of 18 months after the Effective Time, notwithstanding any investigation at any time made by or on behalf of the PHLI, and upon the expiration of such 18-month period such representations and warranties shall expire except as follows: (i) the representations and warranties contained in Section 3.20 shall expire at the time the period of limitations (including any extensions thereof pursuant to the delivery of waivers of the applicable period of limitations) expires for the assessment by the taxing authority of additional taxes with respect to which the representations and warranties relate; and (ii) the representations and warranties contained in Sections 3.1 and 3.2 shall not expire, but shall continue indefinitely. No claim for the recovery of Indemnifiable Damages may be asserted by the Surviving Corporation or PHLI after such representations and warranties shall thus expire; provided, however, that claims for Indemnifiable Damages first asserted in writing within the applicable period shall not thereafter be barred.

(d) Except as provided in this paragraph, a Stockholder's obligations with respect to Indemnifiable Damages shall, at the Stockholder's option, be satisfied solely through the return to PHLI of a number of PHLI Shares issued to the Stockholder in connection with the Merger with a value equal to such Stockholder's liability for Indemnifiable Damages. For this purpose, the PHLI shares shall be valued at the higher of the market price of such shares on the date of Closing and the market price on the date PHLI notifies the Stockholder of a claim for Indemnifiable Damages. Unless the Stockholder elects to pay Indemnifiable Damages in cash, PHLI shall have no recourse for Indemnifiable Damages except to the PHLI shares. The provisions of this paragraph (d) shall not apply to the extent that any obligation of the Stockholder arises out of an intentional misrepresentation by the Stockholder or a willful breach of this Agreement by that Stockholder.

For purposes of determining market price for this paragraph (d), (i) if the Common Stock is traded on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ National Market System or other quotation system which makes closing sales prices available, the market price shall mean the average of the highest closing sales prices on each of the five

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trading days prior to the date as of which the market price is being determined; (ii) if closing sales prices are not available as described in clause (i), then market price shall mean the average of the closing "bid" and "asked" prices on each of the five trading days prior to the date as of which the fair market value is being determined as reported by NASDAQ or the OTC Bulletin Board, or if not reported by NASDAQ or the OTC Bulletin Board, then as reported in other customary financial reporting services.; or (iii) if the market price cannot be determined pursuant to clause (i) or (ii), then the market price shall be determined in good faith by PHLI's Board of Directors.

6.2 Indemnification By PHLI. PHLI shall indemnify the Stockholder and hold him harmless in respect of all Losses (as defined below). For this purpose, "Losses" of the Stockholder means, without duplication, the aggregate of all expenses (including reasonable attorney's fees), losses, costs, deficiencies, liabilities and damages incurred or suffered the Stockholder, (i) resulting from any breach of a representation or warranty of PHLI contained in this Agreement; and (ii) resulting from any default in the performance of any of the covenants or agreements of PHLI Agreement. The representations and warranties of PHLI shall survive for a period of 18 months after the Effective Time, notwithstanding any investigation at any time made by or on behalf of the Stockholder, and upon the expiration of such 18-month period such representations and warranties shall expire. No claim for the recovery of Losses may be asserted by the Stockholder after such representations and warranties shall thus expire; provided, however, that claims for Losses first asserted in writing within the applicable period shall not thereafter be barred.

6.3 Procedure For Indemnification -- Third Party Claims. Promptly after receipt by either the Stockholder or PHLI (either, an "Indemnified Person") under Section 6.1 or 6.2 of notice of the commencement of any Proceeding against it, such Indemnified Person shall give notice to the other party (the "Indemnifying Person") of the commencement thereof, but the failure so to notify Indemnifying Person shall not relieve it of any liability that it may have to any Indemnified Person except to the extent Indemnifying Person demonstrates that the defense of such action is prejudiced thereby. In case any such Proceeding shall be brought against an Indemnified Person and it shall give notice to Indemnifying Person of the commencement thereof, Indemnifying Person shall have thirty (30) days from the date of such notification (the "Notice Period") to notify Indemnified Person whether or not it disputes the liability of the Indemnifying Person to the Indemnified Person hereunder with respect to such claim. In the event the Indemnifying Person notifies the Indemnified Person within the Notice Period that it does not dispute the liability of the Indemnifying Person to the Indemnified Person with respect to such claim, then, unless the claim involves Taxes, the Indemnifying Person shall be entitled to participate therein and, to the extent that it shall wish (unless (i) Indemnifying Person is also a party to such Proceeding and the Indemnified Person determines in good faith that joint representations would be inappropriate or (ii) Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such Proceeding and provide indemnification with respect thereto), to assume the defense thereof with counsel selected by such Indemnifying Person and reasonably satisfactory to such Indemnified Person and, after notice from Indemnifying Person to such Indemnified Person of its election so to assume the defense thereof, the Indemnifying Person shall not be liable to such Indemnified

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Person under such Section for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by such Indemnified Person in connection with the defense thereof, other than reasonable costs of investigation. If an Indemnifying Person assumes the defense of such a Proceeding, (a) no compromise or settlement thereof may be effected by Indemnifying Person without the Indemnified Person's consent unless (i) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the Indemnified Person and (ii) the sole relief provided is monetary damages that are paid in full by Indemnifying Person and (b) the Indemnified Person shall have no liability with respect to any compromise or settlement thereof effected without its consent. If notice is given to an Indemnifying Person of the commencement of any Proceeding and it does not, within thirty days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense thereof, Indemnifying Person shall be bound by any determination made in such action or any compromise or settlement thereof effected by the Indemnified Person.

Notwithstanding the foregoing, if a proceeding or claim relates to Taxes, or if an Indemnified Person determines in good faith that there is a reasonable probability that a Proceeding may adversely affect it or its affiliates other than as a result of monetary damages, such Indemnified Person may, by notice to Indemnifying Person, assume the exclusive right to defend, compromise or settle such Proceeding, but Indemnifying Person shall not be bound by any determination of a Proceeding so defended or any compromise or settlement thereof effected without its consent (which shall not be unreasonably withheld).

7. MISCELLANEOUS.

7.1 Notices. All notices, consents and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when (a) delivered by hand, (b) sent by telecopier (with receipt confirmed), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by Express Mail, Federal Express or other express delivery service (receipt requested), or courier in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate as to itself by notice to the other parties):

Strong:

Strong Research Corporation
2971 N.E. 27th Avenue
Lighthouse Point, FL 33064
Attn: Greg Horn
Fax: (954) 785-8884

PILL:

PacificHealth Laboratories, Inc.

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100 Matawan Road, Suite 420
Matawan, NJ 07747-3913
Attn: Dr. Robert Portman, CEO
Fax: (732) 739-4360

Stockholder:

At the addresses given in the Disclosure Schedule; if no address is given, then c/o Strong.

7.2 Jurisdiction; Service Of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the courts of the State of New Jersey or the United States District Courts for the State of New Jersey, and each of the parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world as provided under the laws of the State of New Jersey.

7.3 Further Assurances. The parties hereto agree (i) to furnish upon request to each other such further information, (ii) to execute and deliver to each other such other documents, and (iii) to do such other acts and things, all as the other party hereto may at any time reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to herein.

7.4 Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay on the part of any party in exercising any right, power or privilege under this Agreement or the documents referred to herein shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement or the documents referred to herein can be discharged by one party hereto, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party hereto; (ii) no waiver which may be given by a party hereto shall be applicable except in the specific instance for which it is given; and (iii) no notice to or demand on one party hereto shall be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to herein.

7.5 Entire Agreement And Modification. This Agreement supersedes all prior agreements among the parties with respect to its subject matter. This Agreement and the other documents referenced herein, is intended by the parties to be a complete and exclusive statement of the terms of the agreements among the parties with respect to the Contemplated Transactions. This Agreement may not be changed or terminated except by a written agreement executed by all of the signatories hereto.

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7.6 Assignments, Successors And No Third-Party Rights. This Agreement shall apply to and be binding in all respects upon, and shall inure to the benefit of, the successors and permitted assigns of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any Person other than the parties to this Agreement, and successors and permitted assigns, any legal or equitable right, remedy or claim under or with respect to this Agreement, or any provision hereof, it being the intention of the parties hereto that this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement, their successors and permitted assigns, and for the benefit of no other Person.

7.7 Section Headings, Construction. The headings of Sections contained in this Agreement are provided for convenience only. They form no part of this Agreement and shall not affect its construction or interpretation. All references to Sections in this Agreement refer to the corresponding Sections of this Agreement. All words used herein shall be construed to be of such gender or number as the circumstances require. Unless otherwise specifically noted, the words "herein," "hereof," "hereby," "hereinabove," "herein below," "hereunder," and words of similar import, refer to this Agreement as a whole and not to any particular Section, subsection, paragraph, clause or other subdivision hereof.

7.8 Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of New Jersey without regard to the conflicts of laws principles thereof, all rights and remedies being governed by such laws.

7.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute but one and the same agreement.

[Signature Page to Follow]

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IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date first above written.

PACIFICHEALTH LABORATORIES, INC.

By: _____

Name: _____

Title: _____

STRONG RESEARCH CORPORATION

By: _____

Gregory T. Horn, President

STRC ACQUISITION CORP.

By: _____

Name: _____

Title: _____

STOCKHOLDER:

Gregory T. Horn

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DISCLOSURE SCHEDULE OMITTED

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