

P97000093042

Requestor's Name
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CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. _____ (Corporation Name) _____ (Document #) *Merger & Name Change*
2. _____ (Corporation Name) _____ (Document #)
3. _____ (Corporation Name) _____ (Document #) *100002344341--8
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4. _____ (Corporation Name) _____ (Document #)

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☐ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of State

NEW FILINGS	
<input type="checkbox"/>	Profit
<input type="checkbox"/>	NonProfit
<input type="checkbox"/>	Limited Liability
<input type="checkbox"/>	Domestication
<input type="checkbox"/>	Other

AMENDMENTS	
<input type="checkbox"/>	Amendment
<input type="checkbox"/>	Resignation of R.A., Officer/ Director
<input type="checkbox"/>	Change of Registered Agent
<input type="checkbox"/>	Dissolution/Withdrawal
<input type="checkbox"/>	Merger

OTHER FILINGS	
<input type="checkbox"/>	Annual Report
<input type="checkbox"/>	Fictitious Name
<input type="checkbox"/>	Name Reservation

REGISTRATION/ QUALIFICATION	
<input type="checkbox"/>	Foreign
<input type="checkbox"/>	Limited Partnership
<input type="checkbox"/>	Reinstatement
<input type="checkbox"/>	Trademark
<input type="checkbox"/>	Other

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 SECRETARY OF STATE
 TALLAHASSEE, FLORIDA

Examiner's Initials	
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P97000093042

ARTICLES OF MERGER
Merger Sheet

MERGING:

CHANGES INTERNATIONAL OF FORT WALTON BEACH, INC., a Florida
corporation P95000023675

INTO

TWINLAB ACQUISTION CORP. which changed its name to

CHANGES INTERNATIONAL OF FORT WALTON BEACH, INC., a Florida
corporation, P97000093042

File date: November 12, 1997

Corporate Specialist: Annette Hogan

ARTICLES OF MERGER
OF
CHANGES INTERNATIONAL OF
FORT WALTON BEACH, INC., A FLORIDA CORPORATION
AND
TWINLAB ACQUISITION CORP., A FLORIDA CORPORATION

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TALLAHASSEE, FLORIDA

To the Secretary of State
State of Florida

Pursuant to the provisions of the Florida Business Corporation Act, the domestic corporations herein named do hereby adopt the following articles of merger.


1. Annexed hereto and made a part hereof is the Plan of Merger for merging Changes International of Fort Walton Beach, Inc., with and into Twinlab Acquisition Corp. as approved and adopted by written consent of the shareholders of Changes International of Fort Walton Beach, Inc., entitled to vote thereon given on October 31, 1997, in accordance with the provisions of Section 607.0704 of the Florida Business Corporation Act, and as approved and adopted by written consent of the shareholders of Twinlab Acquisition Corp. entitled to vote thereon given on October 31, 1997 in accordance with the provisions of Section 607.0704 of the Florida Business Corporation Act.

2. Twinlab Acquisition Corp. will continue its existence as the surviving corporation under the name Changes International of Fort Walton Beach, Inc. pursuant to the provisions of the Florida Business Corporation Act.

3. The effective time and date of the merger herein shall be upon the filing of these articles of merger with the Secretary of State of the State of Florida.

Executed on
November 11, 1997

CHANGES INTERNATIONAL OF FORT
WALTON BEACH, INC.

By: 
Name: SCOTT PAULSON
Title: President

TWINLAB ACQUISITION CORP.

By: Brian Blochman
Name: Brian Blochman
Title: Secretary / Treasurer

AGREEMENT AND PLAN OF MERGER
BY AND AMONG
TWINLAB CORPORATION
AND
TWINLAB ACQUISITION CORP.
AND
CHANGES INTERNATIONAL OF FORT WALTON BEACH, INC.
AND
TERRY PAULSON
AND
SCOTT PAULSON

Dated as of September 30, 1997

Table of Contents

Page

1.	Plan Of Merger	-1-
1.1	The Merger	-1-
1.2	Conversion of Shares	-2-
1.3	Effects of the Merger	-2-
1.4	Reorganization	-2-
1.5	Exchange of Certificates	-3-
2.	Representations and Warranties of the Stockholders	-3-
2.1	Organization and Good Standing	-3-
2.2	Authorization of Agreement	-3-
2.3	Subsidiaries	-4-
2.4	No Conflicts; Consents of Third Parties	-4-
2.5	Capitalization	-5-
2.6	Financial Statements	-5-
2.7	No Undisclosed Liabilities	-6-
2.8	Absence of Certain Developments	-6-
2.9	Taxes	-7-
2.10	Real Property	-9-
2.11	Tangible Personal Property	-9-
2.12	Intellectual Property	-10-
2.13	Material Contracts	-10-
2.14	Employees	-11-
2.15	Employee Benefits	-12-
2.16	Litigation	-12-
2.17	Compliance with Laws; Permits	-12-
2.18	Environmental Matters	-13-
2.19	Insurance	-14-
2.20	Inventory, Receivables, Payables	-14-
2.21	Major Suppliers and Customers	-14-
2.22	Related Party Transactions	-15-
2.23	Entire Business	-15-
2.24	No Misrepresentation	-15-
2.25	Product Liability and Recalls	-15-
2.26	Financial Advisors	-16-
2.27	Conduct of Business	-16-
2.28	Board of Directors and Stockholder Approvals	-17-
3.	Representations and Warranties of Newco	-17-
3.1	Organization and Good Standing	-17-
3.2	Authorization of Agreement	-17-
3.3	No Conflicts; Consents of Third Parties	-17-

3.4	Litigation	-18-
3.5	Financial Advisors	-18-
4.	Representations and Warranties of TWINLAB	-18-
4.1	Organization and Good Standing	-18-
4.2	Authorization of Agreement	-18-
4.3	No Conflicts; Consents of Third Parties	-18-
4.4	Litigation	-19-
4.5	Financial Statements	-19-
4.6	SEC Documents	-19-
4.7	Financial Advisors	-19-
4.8	Title to Twinlab Shares	-19-
5.	Additional Representations, Warranties and Covenants of the Stockholders and TWINLAB and Newco	-19-
5.1	Title and Investment Representations	-19-
5.2	Information Representations	-20-
5.3	Resignation of Directors and Officers of the Company	-20-
5.4	Taxes	-20-
6.	Legend on Certificates	-21-
7.	Further Agreements of the Parties	-21-
7.1	Indemnity	-21-
8.	Documents to be Delivered Upon Execution of this Agreement	-22-
8.1	Documents to be Delivered by the Company and the Stockholders	-22-
8.2	Deliveries of TWINLAB and Newco	-23-
9.	Miscellaneous	-23-
9.1	The Closing	-23-
9.2	Survival of Representations and Warranties	-23-
9.3	Certain Definitions	-24-
9.4	Expenses	-27-
9.5	Specific Performance	-27-
9.6	Further Assurances	-27-
9.7	Submission to Jurisdiction, Waiver of Jury Trial, Consent to Service of Process	-28-
9.8	Entire Agreement: Amendments and Waivers	-28-
9.9	Governing Law	-29-
9.10	Table of Contents and Headings	-29-
9.11	Notices	-29-

	<u>Page</u>
9.12 Severability	-30-
9.13 Binding Effect, Assignment	-30-
9.14 Counterparts	-31-

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of September 30, 1997 (the "Agreement"), among Twinlab Corporation, a corporation organized under the laws of the State of Delaware ("TWINLAB"), Twinlab Acquisition Corp., a corporation organized under the laws of the State of Florida ("Newco"), Changes International of Fort Walton Beach, Inc., a corporation organized under the laws of the State of Florida (the "Company"), Terry Paulson, an individual residing at 8735 Highway 98, Navarre Parkway, Navarre, Florida 32566 ("T. Paulson"), and Scott Paulson, an individual residing at 2504 Edgewater Drive, Niceville, Florida 32578 ("S. Paulson" and, together with T. Paulson, the "Stockholders").

W I T N E S S E T H:

The parties desire to merge the Company with and into Newco (the "Merger"), in order to achieve certain synergies and efficiencies resulting from the combination of their respective businesses.

The parties intend that, subject to the terms and conditions of this Agreement, the Company will merge with and into Newco, a new Florida corporation organized as a wholly-owned subsidiary of TWINLAB, with Newco to be the surviving corporation of the Merger, all pursuant to the terms and conditions of this Agreement and the applicable provisions of the Florida Business Corporation Act ("Florida Law"). Upon the effectiveness of the Merger, all the issued and outstanding capital stock of the Company will be converted into the right to receive common stock of TWINLAB, \$1.00 par value per share ("Twinlab Common Stock"), and cash, as provided in this Agreement.

The Merger is intended to be treated as a reorganization pursuant to the provisions of Section 368(a)(1) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code").

Certain terms used in this Agreement are defined in Section 9.3 of this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements hereinafter contained, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Plan Of Merger

1.1 The Merger. Subject to the terms and conditions of this Agreement, the Company will be merged with and into Newco pursuant to this Agreement and in accordance with applicable provisions of Florida Law. The Merger shall become effective when articles of merger, substantially in the form attached hereto as Exhibit A (the "Articles of Merger") and properly executed in accordance with Florida Law, shall be filed with the

office of the Secretary of State of the State of Florida. The date and time when the Merger is effective is hereinafter referred to as the "Effective Time").

1.2 Conversion of Shares. (a) Each of the 200 issued and outstanding shares of capital stock of the Company, \$1.00 par value per share (the "Company Common Stock"), shall, by virtue of the Merger at the Effective Time, and without any further action on the part of the stockholders of the Company, be converted into the right to receive (i) 1562.5 shares of Twinlab Common Stock, which shares shall be validly issued, fully paid and non-assessable, and (ii) \$31,250 in cash. The total number of shares of Twinlab Common Stock issued pursuant to this Section 1.2 is hereinafter referred to as the "Twinlab Shares."

(b) Any shares of capital stock of the Company held (as of the Effective Time) by it in its treasury will not be deemed outstanding for purposes of this Agreement and will be cancelled.

(c) Shares of Newco shall not be converted or exchanged in any manner, but each said share which is issued at the Effective Time shall continue to represent one issued share of Newco.

1.3 Effects of the Merger. At the Effective Time: (a) the separate existence of the Company will cease and the Company will be merged with and into Newco, and Newco will be the surviving corporation of the Merger (the "Surviving Corporation"), pursuant to the terms of this Agreement; (b) the articles of incorporation of Newco immediately prior to the Effective Time will be the articles of incorporation of the Surviving Corporation, except that Article I thereof shall be amended to change the name of the Surviving Corporation from "Twinlab Acquisition Corp." to "Changes International of Fort Walton Beach, Inc."; (c) the by-laws of Newco immediately prior to the Effective Time will be the by-laws of the Surviving Corporation; (d) the directors of Newco immediately prior to the Effective Time will be the directors of the Surviving Corporation; (e) the officers of Newco immediately prior to the Effective Time will be the officers of the Surviving Corporation; (f) the shares of Company Common Stock outstanding immediately prior to the Effective Time will be converted as provided in Section 1.2 hereof; and (g) the Merger will, from and after the Effective Time, have all of the effects provided by applicable law, including, without limitation, Florida Law.

1.4 Reorganization. The parties intend to adopt this Agreement and the Merger as a plan of reorganization under, and agree to use their commercially reasonable efforts to so qualify the Merger pursuant to, Section 368(a)(1) of the Code. TWINLAB represents as of the date of this Agreement, and as of the date of Closing, that it presently intends to continue the Company's historic business or use a significant portion of the Company's business assets in a trade or business within the meaning of Treasury Regulation Section 1.368-1(d). The Company represents that the Company operates at least one historic business and/or owns a significant portion of its historic business assets within the meaning of Treasury Regulation Section 1.368-1(d).

1.5 Exchange of Certificates.

(a) Surrender. As promptly as practicable following the Effective Time, the Stockholders shall surrender to TWINLAB, in accordance with this Agreement, certificates representing all of the issued and outstanding shares of Company Common Stock, and shall receive, in accordance with this Agreement, certificates representing the Twinlab Shares and cash as provided in Section 1.2 hereof.

(b) No Further Ownership Rights in Company Common Stock. All shares of Twinlab Common Stock and cash issuable upon the surrender of the shares of Company Common Stock in accordance with the terms of this Agreement and the Articles of Merger shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Company Common Stock; after the Effective Time, there shall be no registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, certificates representing shares of Company Common Stock are presented to the Surviving Corporation for any reason, they shall be cancelled pursuant hereto.

2. Representations and Warranties of the Stockholders. The Stockholders, jointly and severally, hereby represent and warrant to TWINLAB and Newco, as of the date of the Closing, the following:

2.1 Organization and Good Standing. (a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has full corporate power and authority to own, lease and operate its properties and to carry on its business as it is now conducted and as it is proposed to be conducted. The Company is duly qualified or authorized to do business as a foreign corporation and is in good standing under the laws of (i) each jurisdiction in which it leases real property and (ii) each other jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or authorization, except where the failure to so qualify would not cause a Material Adverse Change.

(b) The minute books of the Company, as previously made available to TWINLAB and Newco and its counsel, contain accurate records of all meetings and all other material corporate action of the Company's board of directors (including any committees thereof) and its stockholders since the date of the Company's incorporation.

2.2 Authorization of Agreement. (a) Each of the Stockholders has all requisite capacity, power and authority to execute and deliver this Agreement, the Employment Agreement, the Non-competition Agreement, the Assignment of Trademarks and Goodwill and each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by either of the Stockholders in connection with the consummation of the Merger and the other transactions contemplated by this Agreement (this Agreement, the Employment Agreement, the Non-competition Agreement, the Assignment of Trademarks and Goodwill and the other agreements, documents, instruments or certificates (including the Articles of Merger) delivered pursuant to Section 8 hereof, the "Transaction

Documents"), and to perform fully his respective obligations hereunder and thereunder. This Agreement and each of the other Transaction Documents have been duly and validly authorized, executed and delivered by each of the Stockholders and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement and each of the other Transaction Documents constitute legal, valid and binding obligations of each of the Stockholders, enforceable against each of the Stockholders in accordance with their respective terms, subject, as to enforceability, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(b) The Company has all requisite corporate power and authority to execute and deliver this Agreement and each other Transaction Document to be executed by the Company in connection with the consummation of the Merger and the other transactions contemplated hereby and thereby, and to perform fully its obligations hereunder and thereunder. The execution, delivery and performance by the Company of this Agreement and each of the other Transaction Documents to be executed by the Company has been duly authorized by all necessary action on behalf of the Company. This Agreement and each of the other Transaction Documents have been duly and validly executed and delivered by the Company and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement and each of the other Transaction Documents constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforceability, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

2.3 Subsidiaries. The Company has no subsidiaries and does not own any other capital stock or other proprietary interest, directly or indirectly, in any corporation, association, trust, partnership, joint venture or other entity or have any agreement to acquire any such capital stock or other proprietary interest.

2.4 No Conflicts; Consents of Third Parties. (a) The execution and delivery by the Company and each of the Stockholders of this Agreement and the other Transaction Documents, the consummation of the Merger and the transactions contemplated hereby or thereby, and compliance by the Company and each of the Stockholders with any of the provisions hereof or thereof does not and will not (i) conflict with, or result in the breach of, any provision of the articles of incorporation or by-laws of the Company; (ii) conflict with, violate, result in the breach or termination of, or constitute a default or give rise to any "takeback" right or right of termination or acceleration or right to increase the obligations or otherwise modify the terms thereof under any Contract, Permit or Order to which the Company or any Stockholder is a party or by which the Company or any Stockholder or the properties or assets of any Stockholder or the Company are bound; (iii) constitute a violation of any Law applicable to the Company; or (iv) result in the creation of any Lien upon the properties or assets of the Company. Except as set forth on **Schedule 2.4** of the Disclosure Schedule, no consent, waiver, approval, Order, Permit or authorization of, or declaration or

filing (other than the filing of the Articles of Merger in the office of the Secretary of State of Florida) with, or notification to, any Person or Governmental Body is required on the part of the Company or any of the Stockholders in connection with the execution and delivery of this Agreement or the other Transaction Documents, or the compliance by any of the Stockholders or the Company with any of the provisions hereof or thereof.

(b) The Company is not a party to any agreement, contract or covenant limiting the freedom of the Company to compete in any line of business or with any person or other entity in any geographic region within or outside of the United States of America.

2.5 Capitalization. (a) The capitalization of the Company, including the names and percentage interests of each record and beneficial stockholder, is as set forth on Schedule 2.5 of the Disclosure Schedule. All of the shares of stock set forth on Schedule 2.5 of the Disclosure Schedule were duly authorized for issuance and are validly issued, fully paid and non-assessable. There is no existing option, warrant, call, right, commitment or other agreement of any character to which the Company is a party requiring, and there are no securities of the Company outstanding which upon conversion or exchange would require, the issuance, sale or transfer of any additional shares of capital stock or other equity securities of the Company or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase shares of capital stock or other equity securities of the Company. Neither the Company nor any Stockholder is a party to any voting trust or other voting agreement with respect to any shares of capital stock or to any agreement relating to the issuance, sale, redemption, transfer or other disposition of capital stock of the Company.

(b) 200 shares of Company Common Stock are issued and outstanding all of which are owned of record and beneficially by the Stockholders and constitute all of the issued and outstanding capital stock of the Company on a fully diluted basis.

2.6 Financial Statements. The Company has delivered to TWINLAB and Newco (i) copies of its audited balance sheets as at December 31, 1996 and December 31, 1995 and the related audited statements of income and of cash flows for the year ended December 31, 1996 and the period of inception (March 22, 1995) through December 31, 1995 (the "Audited Statements") and (ii) copies of its unaudited balance sheet at September 30, 1997 and the related unaudited statements of income and cash flows for the one and nine month periods ended September 30, 1997 (the "Latest Financials") (the Latest Financials, including the related notes and schedules thereto, and the Audited Statements, are referred to herein as the "Financial Statements"). Each of the Financial Statements was prepared in good faith from the books and records of the Company, is complete and correct in all material respects, has been prepared in accordance with generally accepted accounting principles and in conformity with the practices consistently applied by the Company and presents fairly the financial position, results of operations and cash flows of the Company as at the dates and for the periods indicated. The books of account and other financial records of the Company from which the Financial Statements have been prepared are complete and correct.

2.7 No Undisclosed Liabilities. Except as set forth on **Schedule 2.7** of the Disclosure Schedule, the Company has no Indebtedness. Except to the extent set forth in the Financial Statements, or as set forth on **Schedule 2.7** of the Disclosure Schedule which sets forth with specificity each liability of the Company in excess of \$25,000 (whether accrued, absolute, contingent or otherwise, and whether due or to become due or asserted or unasserted), there is no basis for the assertion of any claim or material liability of any nature against the Company, except obligations under Contracts described on **Schedule 2.13** of the Disclosure Schedule or under Contracts that are not required to be disclosed thereon as a result of dollar thresholds specified in Section 2.13.

2.8 Absence of Certain Developments. Except as expressly set forth on **Schedule 2.8** of the Disclosure Schedule, since the date of the Audited Statements and the Latest Financials and, in each case, through the date of the Closing:

(a) There has not been any Material Adverse Change nor has any event occurred which could result in any Material Adverse Change;

(b) There has not been any damage, destruction or loss, whether or not covered by insurance, with respect to the property and assets of the Company having a replacement cost of more than \$25,000 for any single loss or \$100,000 for all such losses;

(c) There has not been any declaration, setting aside or authorizing the payment of, any dividend or other distribution in respect of any shares of capital stock of the Company or any repurchase, redemption or other acquisition by the Company of any of the outstanding shares of capital stock or other securities of, or other ownership interest in, the Company;

(d) The Company has not (i) awarded or paid any bonuses to employees of the Company or any Subsidiary in excess of \$10,000 individually, or \$25,000 in the aggregate, (ii) entered into or modified or amended any employment, deferred compensation, severance or similar agreement, (iii) agreed to increase the compensation payable or to become payable by it to any of the Company's directors, officers, employees, agents or Representatives or (iv) agreed to increase the coverage or benefits available under any severance pay, termination pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, bonus or other incentive compensation, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with such directors, officers, employees, agents or Representatives (other than normal increases in the ordinary course of business consistent with past practice and that in the aggregate have not resulted in a material increase in the benefits or compensation expense of the Company);

(e) There has not been any change by the Company in accounting principles, methods or policies;

- (f) The Company has not entered into any Contract requiring payments in excess of \$25,000, or conducted its business other than in the ordinary course of business consistent with past practice;
- (g) The Company has not (i) incurred any Indebtedness, (ii) made any loans, advances or capital contributions to any other Person or (iii) assumed, guaranteed, endorsed or otherwise became liable for the obligations of any other Person.
- (h) The Company has not failed to promptly pay and discharge any current liabilities except where disputed in good faith by appropriate proceedings;
- (i) The Company has not mortgaged, pledged or subjected to any Lien any of its assets, or acquired any assets or sold, assigned, transferred, conveyed, leased or otherwise disposed of any assets of the Company (other than the sale of inventory in the ordinary course of business consistent with past practice);
- (j) The Company has not discharged or satisfied any Lien, or paid any obligation or liability (fixed or contingent), except in the ordinary course of business consistent with past practice and which, in the aggregate, would not be material to the Company;
- (k) The Company has not canceled or compromised any debt or claim or amended, canceled, terminated, relinquished, waived or released any Contract or right except in the ordinary course of business consistent with past practice and which, in the aggregate, would not be material to the Company;
- (l) The Company has not suffered any Extraordinary Loss or Extraordinary Losses (as defined in Opinion No. 30 of the Accounting Principles Board of the American Institute of Certified Public Accountants and any amendments thereto);
- (m) The Company has not transferred or granted any rights under any concessions, leases, licenses, agreements or Intellectual Property used by the Company in its business;
- (n) The Company has not made or committed to make any capital expenditures or capital additions or betterments in excess of \$10,000 individually or \$50,000 in the aggregate; and
- (o) The Company has not instituted or settled any Legal Proceeding.
- (p) There have not been any amendments or changes in the articles of incorporation or the by-laws of the Company;
- (q) The Company has not entered into any Contract to take any action which, if taken prior to the date hereof, would have made any representation or warranty set forth in this Agreement untrue or incorrect as of the date when made;

2.9 Taxes. Except as set forth on **Schedule 2.9** of the Disclosure Schedule:

- (a) The Company has timely, completely and accurately filed, or caused to be filed, with all appropriate U.S. federal, state or local or foreign governmental agencies all required tax and information returns, of whatever nature, related to the Company and has duly paid, caused to be paid, or made adequate provision in the balance sheet included in the Latest Financials for, all taxes (including, but not limited to, income, sales, property, payroll, employment, gross receipts, excise and franchise taxes), assessments, charges, penalties and interest, of whatever nature ("Taxes"), due and payable with respect to all periods ending prior to or on September 30, 1997.
- (b) None of the Stockholders or the Company has received, directly or indirectly, notice of, and none of them is otherwise aware of, any pending, threatened, ongoing or past audit or examination by any Governmental Body with respect to Taxes relating to the Company; nor are any of the Stockholders or the Company a party, directly or indirectly, to any action or proceeding by any Governmental Body for assessment or collection of Taxes relating to the Company; nor has any claim for assessment and collection, or any notice of deficiency, been asserted or proposed against any of them directly or indirectly with respect thereto; nor have any of them executed a waiver of any statute of limitations with respect thereto.
- (c) The Company has made, and the Stockholders have consented to, a valid election under section 1362(a) of the Code to be taxed as an "S Corporation" under sections 1361 through 1379 of the Code (an "S Election") as of the date of the Company's incorporation, which election has not been revoked or terminated or otherwise become ineffective. When available, similar valid elections, which have not been revoked or terminated or otherwise become ineffective, have been made to be taxed in a comparable fashion under comparable state tax laws.
- (d) All other material elections with respect to Taxes affecting the Company as of the date hereof are set forth on **Schedule 2.9** of the Disclosure Schedule.
- (e) The Company is not liable for Taxes of any other Person, is not currently under any contractual obligation to indemnify any Person with respect to Taxes, and is not a party to any tax sharing agreement or any other agreement providing for payments by the Company with respect to Taxes.
- (f) The Company is not a party to any joint venture, partnership or other arrangement or contract which could be treated as a partnership for United States federal income tax purposes.
- (g) The Company will not be required, as a result of a change in method of accounting for any period prior to the day of the Closing, to include any adjustment under Section 481 of the Code (or any corresponding provision of foreign law) in taxable income for any period after the date of the Closing.

(h) Schedule 2.9 of the Disclosure Schedule contains a list of all jurisdictions in which a tax or information return has been filed by the Company, and no claim has ever been made by any tax authority in any other jurisdiction that the Company is subject to taxation or required to file a tax or information return in such jurisdiction.

2.10 Real Property.

(a) The Company does not own any real property. Schedule 2.10 of the Disclosure Schedule sets forth a complete list of all real property and interests in real property leased by the Company (individually, a "Real Property Lease") as lessee and identifies, for each Real Property Lease, the parties thereto, the address of the property subject thereto, the rent payable thereunder, the terms of any renewal options, the substance of any amendments or modifications thereto and any reciprocal easement or operating agreements relating thereto. The Company has good, marketable and insurable title to the leasehold estates in all Real Property Leases in each case free and clear of all Liens of any nature whatsoever except (i) as set forth on Schedule 2.10 of the Disclosure Schedule and (ii) as may have been created by the lessor under any such Real Property Lease as to which Liens the Company and the Stockholders have no knowledge.

(b) Except as set forth on Schedule 2.10 of the Disclosure Schedule, none of the Real Property Leases is subject to any lease, sublease, license or other agreement granting to any other Person any right to the use, occupancy or enjoyment of the Real Property Leases or any part thereof.

(c) Each of the Real Property Leases is valid and enforceable in accordance with its terms, and there is no default under any Real Property Lease either by the Company or any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder. Each of the Real Property Leases, upon the consummation of the transactions contemplated hereby, will continue to entitle the Company, as the case may be, to the use, occupancy and possession of the real property specified in such Real Property Lease. The Company has delivered or otherwise made available to the Purchaser true, correct and complete copies of the Real Property Leases, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

(d) No previous or current party to any Real Property Lease has given notice of or made a claim with respect to any breach or default thereunder.

2.11 Tangible Personal Property.

(a) Schedule 2.11 of the Disclosure Schedule sets forth all leases of personal property ("Personal Property Leases") involving annual payments in excess of \$25,000 relating to personal property used in the business of the Company or to which the Company is a party or by which the Company or any of its respective properties or assets is bound. The Company has delivered or otherwise made available to TWINLAB and Newco true, correct and complete copies of the Personal Property Leases, together with all

amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

(b) Each of the Personal Property Leases is in full force and effect and is valid, binding and enforceable in accordance with its terms, and there is no default under any Personal Property Lease either by the Company or by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder.

(c) The Company has good and marketable title to all of the material items of tangible personal property that is owned and used by it, free and clear of any and all Liens. All items of tangible personal property which, individually or in the aggregate, are material to the operation of the business of the Company are in good condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used for the operation of the business of the Company.

2.12 Intellectual Property.

(a) Schedule 2.12 of the Disclosure Schedule contains a complete and accurate list and brief description of all Intellectual Property owned or used by the Company along with the name of any joint owner of such Intellectual Property.

(b) All Intellectual Property used by the Company in the operation of its business is either (i) owned by the Company free and clear of all Liens, or (ii) subject to a right of use pursuant to a license or other agreement. Except as set forth on Schedule 2.12 of the Disclosure Schedule, (i) no third party has been granted by the Company the right to use any Intellectual Property owned or used by the Company and (ii) to the best knowledge of the Company or any of the Stockholders, no third party is infringing upon or misappropriating any Intellectual Property used by the Company in the operation of its business and no activity in which the Company is engaged violates or infringes upon any Intellectual Property or other proprietary rights of any third party. There is no legal action by any Person pending or, to the best knowledge of the Company or any of the Stockholders, threatened against the Company with respect to such matters, and no claim with respect to such matters has been received by the Company.

2.13 Material Contracts.

(a) Except as set forth on Schedule 2.13 of the Disclosure Schedule, neither the Company nor any of its properties or assets is a party to or bound by any (i) Contract not made in the ordinary course of business; (ii) employment, consulting, non-competition, severance, golden parachute or indemnification Contract (including, without limitation, in each case any Contract to which the Company is a party involving employees of the Company); (iii) advertising, public relations, franchise, distributorship or sales agency Contract; (iv) Contract involving the commitment, payment or receipt in excess of \$25,000 in the aggregate; (v) Contract granting a right of first refusal for the acquisition, sale or lease of any assets or capital stock of the Company; (vi) Contract with any Person involving a

sharing of profits; (vii) mortgage, pledge, conditional sales contract, security agreement, factoring agreement or other similar Contract with respect to any real or tangible personal property of the Company; (viii) loan agreement, credit agreement, promissory note, guarantee, subordination agreement, letter of credit or any other similar type of Contract; (ix) Contract with any Governmental Body; (x) Contract with respect to the discharge, storage or removal of Hazardous Materials; (xi) retainer Contract with attorneys, accountants, actuaries, appraisers, investment bankers or other professional advisers; or (xiii) commitment or agreement to enter into any of the foregoing. The Company has delivered or otherwise made available to the Purchaser true, correct and complete copies of the Contracts listed on Schedule 2.13 of the Disclosure Schedule, together with all amendments, modifications, supplements or side letters affecting the obligations of any party thereunder.

(b) (i) Each of the Contracts listed on Schedule 2.13 of the Disclosure Schedule is valid and enforceable in accordance with its terms, and there is no default under any Contract listed on Schedule 2.13 of the Disclosure Schedule by the Company or by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder.

(ii) No previous or current party to any Contract listed on Schedule 2.13 has given notice of or made a claim with respect to any breach or default thereunder.

2.14 Employees. For the purposes hereof, the term "employee" shall include all Persons provided to the Company pursuant to that certain agreement between the Company and Payroll Transfer Interstate, Inc.

(a) The Company has satisfactory relationships with its employees, and with its distributors, independent contractors and independent representatives (collectively, the "Distributors").

(b) No condition or state of facts or circumstances exists which could materially adversely affect the Company's relations with its employees or Distributors, including, without limitation, the consummation of the Merger and the other transactions contemplated by this Agreement or the other Transaction Documents.

(c) The Company is in compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours and is not engaged in any unfair labor practice.

(d) No collective bargaining agreement with respect to the business of the Company is currently in effect or being negotiated. The Company has not encountered any labor union or collective bargaining organizing activity with respect to its employees. The Company has no obligation to negotiate any such collective bargaining agreement, and, to the best knowledge of the Company or any of the Stockholders, there is no indication that the employees of the Company desire to be covered by a collective bargaining agreement.

(e) There are no strikes, slowdowns or work stoppages pending or, to the best knowledge of the Company or any of the Stockholders, threatened with respect to the employees of the Company, nor has any such strike, slowdown or work stoppage occurred or, to the best knowledge of the Company or any of the Stockholders, been threatened.

(f) The Company has not received notice of the intent of any government, body or agency responsible for the enforcement of labor or employment laws to conduct an investigation of the Company, and, to the best knowledge of the Company or any of the Stockholders, no such investigation is in progress.

(g) A true and correct copy of a schedule listing as of September 30, 1997 the annual base salary or annualized wages of each employee of the Company whose annual base compensation is more than \$50,000 has been provided to TWINLAB and Newco.

(h) The Company is not, and to the best knowledge of the Company or any of the Stockholders, no employee of the Company is in violation of any term of any employment agreement, non-disclosure agreement, non-compete agreement or any other agreement regarding an employee's employment with the Company.

2.15 Employee Benefits. Except as disclosed on Schedule 2.15 of the Disclosure Schedule, the Company has no collective bargaining, labor, stock option, profit sharing, pension, retirement, stock bonus, thrift-savings, incentive, benefit or other similar contract, plan, policy or arrangement in connection with the conduct of its operations, and the Company is not in default under any such Contract, plan, policy or arrangement.

2.16 Litigation.

There are no Legal Proceedings pending or threatened that question the validity of this Agreement or the other Transaction Documents or any action taken or to be taken in connection with the consummation of the transactions contemplated hereby or thereby. Schedule 2.16 of the Disclosure Schedule sets forth a true, correct and complete list of all Legal Proceedings pending or threatened against or affecting the Company, or any properties or assets of the Company, at law or in equity. There is no outstanding or threatened Order of any Governmental Body against, affecting or naming the Company or affecting any of the business, properties or assets of the Company.

2.17 Compliance with Laws; Permits.

(a) The Company is and at all times has been in compliance in all material respects with all Laws and Orders promulgated by any Governmental Body applicable to the Company (including all applicable Food and Drug Administration (the "FDA"), Federal Trade Commission (the "FTC"), Consumer Product Safety Commission (the "CPSC") and the United States Department of Agriculture (the "USDA") rules and regulations), or to the conduct of the business or operations of the Company or the use of the

properties (including any leased properties) and assets of the Company. The Company has not received, and to the best knowledge of the Company or any of the Stockholders there has been no issuance of, any notices of violation or alleged violation by the Company of any such Law or Order. There is no investigation or review by any Governmental Body with respect to the Company pending, or to the best knowledge of the Company or any of the Stockholders, threatened, nor has any Governmental Body notified the Company or any Stockholder of its intention to conduct the same. The Company's business is conducted in compliance in all material respects with the Direct Selling Association's Code of Ethics. The Company's claims with respect to earnings and distributorship opportunities with respect to the Company's business (including those contained in any promotional, selling or other materials), were and are accurate and reasonable in light of the Company's network marketing commission program and historical earnings of distributors.

(b) Schedule 2.17 of the Disclosure Schedule lists all Permits of the Company of all Governmental Bodies (including the FDA, the FTC, the CPSC and the USDA), indicating, in each case, the expiration date thereof, which Permits constitute all Permits required by the nature of the operations of the Company to permit its operations in the manner in which they are currently conducted. Such Permits have been validly issued to the Company by the appropriate Governmental Bodies (including the FDA, the FTC, the CPSC and the USDA) in compliance with all applicable Laws, and the Company has complied in all material respects with all conditions of such Permits applicable to it. No default or violation, or event that with the lapse of time or giving of notice or both would become a default or violation, has occurred in the due observance of any such Permit. All such Permits are in full force and effect without further consent or approval of any Person.

2.18 Environmental Matters. The operations of the Company have been in compliance with all Environmental Laws. Neither the Company nor any Stockholder has received any notice from any source, or has otherwise obtained knowledge, to the effect that there is lacking any Environmental Permit required in connection with the current use or operation of any Real Property Lease. The Company and all of its past and current Facilities and operations are not subject to any outstanding written Order or Contract, including Environmental Liens, with any Governmental Body or Person, or subject to any federal, state or local investigation respecting (A) Environmental Laws, (B) any Remedial Action or (C) any Environmental Claim arising from the Release or threatened Release of a Hazardous Material. The Company is not subject to any Legal Proceeding alleging the violation of any Environmental Law or Environmental Permit. The Company has not received (nor, to the best knowledge of the Company or any of the Stockholders, has there been issued) any written communication, whether from a Governmental Body, citizens' group, employee or any other Person, that alleges that the Company is not in compliance with any Environmental Law or Environmental Permit. The Company has not caused or permitted any Hazardous Materials to remain or be disposed of, either on or under real property legally or beneficially owned or operated by the Company or on any real property not permitted to accept, store or dispose of such Hazardous Materials. The Company has no liabilities with respect to Hazardous Materials, and no facts or circumstances exist which, in the aggregate, could give rise to liabilities with respect to Hazardous Materials. None of the operations of the Company involves the generation, transportation, treatment, storage or disposal of hazardous

waste or subject waste, as defined under 40 C.F.R. Parts 260-270 (in effect as of the date of this Agreement); and (i) there is not now on or in any property leased by Company (1) any underground storage tanks or surface tanks, dikes or impoundments; (2) any asbestos containing materials or (3) any polychlorinated biphenyls.

2.19 Insurance. Schedule 2.19 of the Disclosure Schedule sets forth a list of all policies of insurance of any kind or nature covering the Company or any of its employees, properties, assets, or operations, including, without limitation, policies of life, disability, fire, theft, workers compensation, employee fidelity, product liability and other casualty and liability insurance. All such policies are in full force and effect. Except as set forth in Schedule 2.19 of the Disclosure Schedule, such insurance is adequate to cover risks of such types and in such amounts as is customary for Persons engaged in similar lines of business. All policies of such insurance (identified on Schedule 2.19 of the Disclosure Schedule) are binding and effective upon the issuers thereof (each of whom is reputable and creditworthy) in accordance with their respective terms.

2.20 Inventory, Receivables, Payables.

(a) The inventory of the Company is in good and marketable condition, and is saleable in the ordinary course of business.

(b) All accounts receivable of the Company have arisen from bona fide transactions in the ordinary course of business consistent with past practice and are legally binding. All accounts receivable of the Company reflected on the Latest Financials, or arising after the date thereof, are good and collectible at the aggregate recorded amounts thereof, net of any applicable reserve for returns or doubtful accounts reflected thereon, which reserves are adequate and were calculated in a manner consistent with past practice and in accordance with generally accepted accounting principles consistently applied. Since December 31, 1996, to the best knowledge of the Company or any of the Stockholders, there has been no event that could materially increase the ratio of uncollectible accounts receivable ("Uncollectible Receivables") to the accounts receivable or cause the Company's reserve, if any, for Uncollectible Receivables to be inadequate. None of such accounts receivable is, or will at the date of the Closing be, subject to any defense, counterclaim or setoff.

(c) All accounts payable of the Company reflected in the Latest Financials or arising after the date thereof are the result of bona fide transactions in the ordinary course of business consistent with past practice and have been paid or are not yet due and payable.

2.21 Major Suppliers and Customers.

(a) Since January 1, 1997, there has not been any Material Adverse Change in the business relationship of the Company with its suppliers and there is no reason to believe there will be any such change. The Company purchases all of its merchandise from two suppliers: Garden State Nutritionals and Energy Factors, Inc.

(b) Since January 1, 1996, there has not been any Material Adverse Change in the business relationship of the Company with its customers and there is no reason to believe there will be any such change. The Company has no customer to which it sold more than 5% of its inventory during the fiscal year ended December 31, 1996 or during the nine month period ended September 30, 1997.

2.22 Related Party Transactions. Except as set forth on Schedule 2.22 of the Disclosure Schedule, no officer, director or affiliate (or any relative of any of them) of the Company has entered into any transaction with or is a party to any Contract with the Company. No officer, director or affiliate (or any relative of any of them) of the Company owns any direct or indirect interest of any kind in, or controls or is a director, officer, employee or partner of, or consultant to, or lender to or borrower from or has the right to participate in the profits of, any Person which is a competitor, supplier, customer, landlord, tenant, creditor or debtor of the Company.

2.23 Entire Business. The assets, properties and rights which will be owned or leased by the Company immediately prior to the Closing will constitute all of the tangible and intangible property used by and necessary to the Company and the Surviving Corporation in connection with the conduct of its business.

2.24 No Misrepresentation. No representation or warranty of either Stockholder contained in this Agreement (including the Disclosure Schedules hereto) or in any other Transaction Document furnished to TWINLAB or Newco pursuant to the terms hereof contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. To the best knowledge of any Stockholder, no facts have caused or in the future are reasonably likely to cause a Material Adverse Change which has not been disclosed herein or in a Disclosure Schedule hereto. The representations and warranties contained in this Section 2.24 or elsewhere in this Agreement or in any other Transaction Document shall not be affected or deemed waived by reason of the fact that the TWINLAB or Newco and/or its Representatives know or should have known that any such representation or warranty is or might be inaccurate in any respect.

2.25 Product Liability and Recalls. (a) Except as disclosed on Schedule 2.25 of the Disclosure Schedule, neither the Company nor any of the Stockholders is aware of any claim, or the basis of any claim, against the Company for injury to person or property of employees or any third parties suffered as a result of the manufacture, sale or distribution of any product or the performance of any service by the Company, including claims arising out of the allegedly defective or unsafe nature of the products sold or distributed by the Company.

(b) Except as disclosed on Schedule 2.25 of the Disclosure Schedule, there is no pending or, to the best knowledge of the Company or any of the Stockholders, threatened recall or investigation of any product sold or distributed by the Company.

(c) There are no liabilities or threatened claims for (a) product returns, (b) warranty obligations or (c) product services other than those arising in the ordinary course of business consistent with past practice.

2.26 Financial Advisors. No Person has acted directly or indirectly as a broker, finder or financial advisor for the Company or any of the Stockholders in connection with the negotiations relating to, or the transactions (including the Merger) contemplated by, this Agreement or the other Transaction Documents and no Person is entitled to any fee or commission or like payment in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of the Company or any of the Stockholders.

2.27 Conduct of Business. From September 30, 1997 until the Closing, the Company has:

(a) caused to be done all things necessary to maintain, preserve and renew its corporate existence and all material licenses, authorizations and permits necessary to the conduct of its businesses;

(b) maintained and kept its properties in good repair, working order and condition, normal wear and tear excepted;

(c) paid and discharged when payable all Taxes, assessments and governmental charges imposed upon its properties or upon the income or profits therefrom (in each case before the same became delinquent and before penalties accrued thereon) and all claims for labor, materials or supplies which if unpaid would by law become a Lien upon any of its property;

(d) complied with all other obligations which it incurred pursuant to any contract or agreement, whether oral or written, express or implied, as such obligations became due, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and adequate reserves (as determined in accordance with generally accepted accounting principles, consistently applied) have been established on its books with respect thereto;

(e) complied with all applicable laws, rules and regulations of all governmental authorities, the violation of which could cause a Material Adverse Change;

(f) except as disclosed in **Schedule 2.19** of the Disclosure Schedule, applied for and continued in force with nationally recognized insurance companies adequate insurance covering risks of such types and in such amounts as are customary for corporations of similar size engaged in similar lines of business;

(g) maintained proper books of record and account which present fairly in all material respects its financial condition and results of operations and made

provisions on its financial statements for all such proper reserves as in each case are required in accordance with generally accepted accounting principles, consistently applied.

2.28 Board of Directors and Stockholder Approvals. This Agreement and the Merger have been approved and adopted by the Board of Directors of the Company and by the Stockholders in accordance with applicable law and the Company's articles of incorporation and by-laws, and such approval and adoption have not been withdrawn or modified in any respect.

3. Representations and Warranties of Newco. Newco hereby represents and warrants to the Stockholders that:

3.1 Organization and Good Standing. Newco is duly organized, validly existing and in good standing under the laws of the State of Florida.

3.2 Authorization of Agreement. Newco has all requisite corporate power and authority to execute and deliver this Agreement and each other Transaction Document to be executed by Newco in connection with the consummation of the Merger and the other transactions contemplated hereby and thereby, and to perform fully its obligations hereunder and thereunder. The execution, delivery and performance by Newco of this Agreement and each of the other Transaction Documents to be executed by Newco has been duly authorized by all necessary action on behalf of Newco. This Agreement and each of the other Transaction Documents have been duly and validly executed and delivered by Newco and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement and each of the other Transaction Documents constitute legal, valid and binding obligations of Newco, enforceable against Newco in accordance with their respective terms, subject, as to enforceability, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

3.3 No Conflicts; Consents of Third Parties. The execution and delivery by Newco of this Agreement and the other Transaction Documents, the consummation of the Merger and the other transactions contemplated hereby or thereby, and compliance by Newco with any of the provisions hereof or thereof does not and will not (a) conflict with, or result in the breach of, the articles of incorporation or by-laws of Newco, (b) conflict with, violate, result in the breach of, or constitute a default under any Contract or Order to which Newco is a party or by which Newco or its properties or assets are bound or (c) constitute a violation by Newco of any Law applicable to Newco. Except as set forth on Schedule 3.3 of the Disclosure Schedule, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing (other than the filing of the Articles of Merger in the office of the Secretary of State of Florida) with, or notification to, any Person or Governmental Body is required on the part of Newco in connection with the execution and delivery of this Agreement or the other Transaction Documents or the compliance by Newco with any of the provisions hereof or thereof which has not been made or obtained.

3.4 Litigation. There are no Legal Proceedings against Newco pending or, to the best knowledge of Newco, threatened that question the validity of this Agreement or the other Transaction Documents or any action taken or to be taken by Newco in connection with the consummation of the Merger and the other transactions contemplated hereby or thereby.

4. Representations and Warranties of TWINLAB. TWINLAB hereby represents and warrants to the Stockholders that:

4.1 Organization and Good Standing. TWINLAB is duly organized, validly existing and in good standing under the laws of the State of Delaware.

4.2 Authorization of Agreement. TWINLAB has all requisite corporate power and authority to execute and deliver this Agreement and each other Transaction Document to be executed by TWINLAB in connection with the consummation of the Merger and the other transactions contemplated hereby and thereby, and to perform fully its obligations hereunder and thereunder. The execution, delivery and performance by TWINLAB of this Agreement and each of the other Transaction Documents to be executed by TWINLAB has been duly authorized by all necessary action on behalf of TWINLAB. This Agreement and each of the other Transaction Documents have been duly executed and delivered by TWINLAB and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement and each of the other Transaction Document constitute legal, valid and binding obligations of TWINLAB, enforceable against TWINLAB in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.3 No Conflicts; Consents of Third Parties. The execution and delivery by TWINLAB of this Agreement and of the Transaction Documents, the consummation of the Merger and the other transactions contemplated hereby or thereby, and compliance by TWINLAB with any of the provisions hereof or thereof does not and will not (a) conflict with, or result in the breach of, the certificate of incorporation or by-laws of TWINLAB, (b) conflict with, violate, result in the breach of, or constitute a default under any Contract or Order to which TWINLAB is a party or by which TWINLAB or its properties or assets are bound or (c) constitute a violation by TWINLAB of any Law applicable to TWINLAB. Except as set forth on Schedule 4.3 of the Disclosure Schedule, no consent, waiver, approval, Order, Permit or authorization of, or declaration or filing (other than the filing of the Articles of Merger in the office of the Secretary of State of Florida) with, or notification to, any Person or Governmental Body is required on the part of TWINLAB in connection with the execution and delivery of this Agreement or the other Transaction Documents or the compliance by TWINLAB with any of the provisions hereof or thereof.

4.4 Litigation. There are no Legal Proceedings pending or, to the best knowledge of TWINLAB, threatened that question the validity of this Agreement or each

Transaction Documents or any action taken or to be taken by TWINLAB in connection with the consummation of the Merger or the other transactions contemplated hereby or thereby.

4.5 Financial Statements. The financial statements of TWINLAB which have been included in the Twinlab Disclosure Documents referred to in Section 4.6 and provided to the Stockholders were prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may have been indicated in the notes thereto) and fairly present, in all material respects, the consolidated financial position of TWINLAB as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods then ended.

4.6 SEC Documents. TWINLAB has furnished to each Stockholder a complete copy of (i) TWINLAB's Annual Report to Stockholders on Form 10-K for the fiscal year ended December 31, 1996 (the "Annual Report") and (ii) Twinlab's Quarterly Report to Stockholders on Form 10-Q for the quarter ended March 31, 1997 and June 30, 1997, filed with the Securities and Exchange Commission (collectively, the "Twinlab Disclosure Documents"). The Twinlab Disclosure Documents, at the respective time each such document was issued, (a) complied as to form in all material respects with the rules and regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended; and (b) did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.7 Title to Twinlab Shares. The Twinlab Shares were duly authorized for issuance and when issued and delivered in accordance with and pursuant to the terms of this Agreement will be validly issued, fully paid and non-assessable.

5. Additional Representations, Warranties and Covenants of the Stockholders and TWINLAB and Newco.

5.1 Title and Investment Representations. Each Stockholder represents and warrants to, and covenants and agrees with, TWINLAB and Newco that, such Stockholder (a) has good and marketable title to the shares of Company Common Stock owned by him, free and clear of all Liens, (b) is an "accredited investor" within the meaning of Rule 501 under the Securities Act of 1933, as amended, (c) by reason of such Stockholder's business and financial experience, and the business and financial experience of those persons retained by such Stockholder to advise it with respect to its investment in the Twinlab Shares, such Stockholder, together with such advisors, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and the risks of an investment in the Twinlab Shares and is able to bear the economic risk of holding the Twinlab Shares for an indefinite period and (e) is acquiring the Twinlab Shares for his own account and for investment and with no intention of distributing or reselling the Twinlab Shares or any part thereof in any transaction that would be in violation of the securities laws of the United States or any state. Each Stockholder hereby agrees and covenants that during the period commencing on the date of the Closing and ending on the third anniversary of the

date of the Closing, such Stockholder will not, without the prior written consent of TWINLAB, directly or indirectly, offer to sell, sell, grant any option for the sale of, or otherwise dispose of any of the Twinlab Shares including, but not limited to, in any derivative transaction. Each Stockholder hereby agrees that the agreement and covenant contained in the immediately preceding sentence shall be binding on such Stockholder's heirs, devisees, legatees or other successors in interest.

5.2 Information Representations. Each Stockholder represents and warrants that (i) such Stockholder, and such Stockholder's Representatives as deemed necessary by it (including such Stockholder's professional, tax and other advisors), have carefully reviewed the materials (the "Materials") furnished by TWINLAB to such Stockholder in connection with the Merger and the other transactions contemplated by this Agreement (the "Transactions"), including without limitation, the Twinlab Disclosure Documents and (ii) such Stockholder, and such Stockholder's Representatives, have been granted the opportunity to ask questions of, and receive answers from, Representatives of TWINLAB concerning TWINLAB, Newco and the Twinlab Shares and to obtain any additional information that such Stockholder deemed necessary to verify the accuracy of the information contained in the Materials.

5.3 Resignation of Directors and Officers of the Company. The Stockholders agree that at the Closing (if requested by TWINLAB or Newco), each of them will resign their respective positions as officers and directors of the Company effective as of the date of the Closing.

5.4 Taxes. (a) The Stockholders agree that they will pay all Taxes of the Company attributable to periods ending prior to or on September 30, 1997, and, with respect to periods that include but end after September 30, 1997, they will pay the portion of the Taxes attributable to the portions of such taxable periods through and including September 30, 1997, as determined when possible based on a closing of the books method. The Stockholders shall prepare and file, subject to review by TWINLAB and Newco, all tax and information returns of the Company with respect to periods ending prior to or on September 30, 1997. TWINLAB and Newco shall prepare and file all other tax and information returns of the Company, subject to a right of review by the Stockholders with respect to returns for periods that include but end after September 30, 1997, provided, however, that the Stockholders shall prepare and file, subject to review by TWINLAB and Newco, the federal S Corporation income tax return (and similar state S Corporation returns) for the period ending on the day of the Closing.

(b) TWINLAB and Newco agree that the Stockholders shall be able to receive from the Surviving Corporation 100% of the amount of federal and state income Taxes payable by the Stockholders pursuant to section 1366 of the Code and similar provisions of state tax law with respect to income of the Company received or accrued from October 1, 1997, through and including the date of the Closing.

6. Legend on Certificates. Each stock certificate issued to represent the Twinlab Shares shall bear the following (or a substantially equivalent) conspicuous legend on the face or reverse side thereof:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY JURISDICTION. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT PURSUANT TO (I) A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES THAT IS EFFECTIVE UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAW, OR (II) ANY EXEMPTION FROM REGISTRATION UNDER SUCH ACT, OR APPLICABLE STATE SECURITIES LAW, RELATING TO THE DISPOSITION OF SECURITIES, INCLUDING RULE 144 UNDER THE ACT; PROVIDED THAT, AN OPINION OF COUNSEL IS FURNISHED, REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO TWINLAB CORPORATION, THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND/OR APPLICABLE STATE SECURITIES LAW IS AVAILABLE. THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD OR OTHERWISE DISPOSED OF PRIOR TO NOVEMBER 12, 2000.

Any stock certificate issued at any time in exchange or substitution for any certificate bearing such legend shall also bear such legend, unless the restrictions contained in Section 6.1 of this Agreement are no longer effective and in the opinion of counsel for TWINLAB the Twinlab Shares represented thereby need no longer be subject to the restrictions contained in this Agreement. TWINLAB shall not transfer on its books any certificate for the Twinlab Shares in violation of the provisions of this Agreement. TWINLAB shall give appropriate stop transfer instructions to its stock transfer agent with respect to the Twinlab Shares.

7. Further Agreements of the Parties.

7.1 Indemnity. (a) The Stockholders agree, jointly and severally, to indemnify, defend and hold harmless TWINLAB and Newco (and each officer, director, shareholder, affiliate, agent and permitted assign thereof) from and against any and all losses, liabilities, damages, deficiencies, costs or expenses (including interest, penalties, and attorneys' fees, disbursements and related charges) (collectively, "Losses") based upon, arising out of or otherwise in respect of (i) any inaccuracy in or breach of any representations, warranties, covenants or agreements of (A) either of the Stockholders contained in this Agreement or the other Transaction Documents, or (B) of Signature Media Services, Inc. ("SMSI") or of any of its Affiliates or Designees (as such terms are defined in the SMSI Agreement) contained in that certain Non-Competition Agreement dated as of November 12, 1997 by and between SMSI and TWINLAB (the

"SMSI Agreement") or in any other similar agreement executed and delivered pursuant to the terms thereof, at any time until three years following the date of the Closing, (ii) the agreement with Life Changes International, Inc. including the termination thereof and (iii) any Taxes relating to the Company which is, or may become due and payable, in Canada with respect to all periods ending prior to or on September 30, 1997.

(b) Newco agrees to indemnify, defend and hold harmless the Stockholders from and against any and all Losses based upon, arising out of or otherwise in respect of any inaccuracy in or breach of any representations, warranties, covenants or agreements of Newco contained in this Agreement or the other Transaction Documents. TWINLAB agrees to indemnify, defend and hold harmless the Stockholders from and against any and all Losses based upon, arising out of or otherwise in respect of any inaccuracy in or breach of the representation and warranty of TWINLAB contained in Section 4.8 hereof.

8. Documents to be Delivered Upon Execution of this Agreement.

8.1 Documents to be Delivered by the Company and the Stockholders. Simultaneously with the execution of this Agreement, the Stockholders shall deliver, or cause to be delivered, to TWINLAB and Newco the following:

(a) [INTENTIONALLY OMITTED]

(b) certificates of good standing with respect to the Company issued by the Secretary of State of Florida; copies, certified by the Secretary or Assistant Secretary of the Company as being a true and complete copy as of the date of the Closing, of the by-laws of the Company; and copies certified by the Secretary of State of the State of Florida of the articles of incorporation of the Company;

(c) an opinion of legal counsel to the Stockholders in form and substance satisfactory to TWINLAB and Newco;

(d) Employment Agreement with T. Paulson in form and substance satisfactory to TWINLAB and Newco;

(e) Employment Agreement with S. Paulson in form and substance satisfactory to TWINLAB and Newco;

(f) Non-competition Agreement from T. Paulson in form and substance satisfactory to TWINLAB and Newco;

(g) Non-competition Agreement from S. Paulson in form and substance satisfactory to TWINLAB and Newco;

(h) General release by T. Paulson in form and substance satisfactory to TWINLAB and Newco;

- (i) General release by S. Paulson in form and substance satisfactory to TWINLAB and Newco;
- (j) Letter Agreements regarding certain agreements with the Stockholders;
- (k) Evidence of the termination of the agreement with Life Changes International acceptable to TWINLAB and Newco;
- (l) Assignment of Trademarks and Goodwill;
- (m) Landlord consents to assignment of Real Property Leases;
- (n) Landlord consent to sublease to Happy Pet, Inc.;
- (o) Mortgagee Consent to assignment of Real Property Leases; and
- (p) such other documents as TWINLAB and Newco shall reasonably request.

8.2 Deliveries of TWINLAB and Newco. Simultaneously with the execution of this Agreement, TWINLAB and Newco, as applicable, shall deliver to the Company and Stockholders the following:

- (a) certificate of good standing with respect to TWINLAB issued by the Secretary of State of the state of Delaware; and copies, certified by the Secretary or Assistant Secretary of Newco and TWINLAB, respectively, as being a true and complete copy as of the date of the Closing, of the articles of incorporation or certificate of incorporation and the by-laws of Newco and TWINLAB, respectively; and
- (b) an opinion of legal counsel to TWINLAB and Newco in form and substance satisfactory to the Company and the Stockholders.

9. Miscellaneous.

9.1 The Closing. The Closing of the transactions contemplated hereby shall take place at the offices of Kramer, Levin, Naftalis & Frankel, New York, New York. Concurrently with the Closing, the Articles of Merger will be filed in the office of the Secretary of State of the State of Florida.

9.2 Survival of Representations and Warranties. The representations and warranties of Stockholders contained in this Agreement shall survive the Closing for the benefit of TWINLAB and Newco as follows: (i) as to the representations and warranties contained in Section 2.18, five years following the date of the Closing; (ii) as to the representations and warranties contained in Section 2.9, until 60 days following the expiration of all periods allowed for objecting and appealing the determination of any

proceedings relating to any assessment or reassessment by any tax authority with respect to the matters to which such representations and warranties pertain; (iii) as to the representations and warranties contained in Section 5.1(a), indefinitely, and (iv) as to all other representations and warranties, until two years following the date of the Closing. The representations and warranties of Newco and TWINLAB shall survive the Closing for the benefit of the Stockholders until two years following the date of the Closing; provided, however, that the representations and warranties of TWINLAB contained in Section 4.8 shall survive indefinitely.

9.3 Certain Definitions.

"Affiliate" shall have the meaning specified by Rule 12b-2 under the Securities Exchange Act of 1934.

"Articles of Merger" shall have the meaning ascribed to such term in Section 1.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Common Stock" means shares of the Company's Common Stock, par value \$1.00 per share.

"Contract" means any contract, agreement, indenture, note, bond, loan, instrument, lease, conditional sale contract, mortgage, license, franchise, insurance policy, commitment or other arrangement or agreement, whether written or oral.

"Effective Time" shall have the meaning ascribed to such term in Section 1.

"Environmental Claim" means any accusation, allegation, notice of violation, action, claim, Lien, demand, abatement or other Order or direction (conditional or otherwise) by any Governmental Body or any Person for personal injury (including sickness, disease or death), tangible or intangible property damage, damage to the environment, nuisance, pollution, contamination or other adverse effects on the environment, or for fines, penalties or restrictions resulting from or based upon (i) the existence, or the continuation of the existence, of a Release (including, without limitation, sudden or non-sudden accidental or non-accidental Releases) of, or exposure to, any Hazardous Material or other substance, clinical, material, pollutant, contaminant, odor, audible noise, or other Release in, into or onto the environment (including, without limitation, the air soil, soil, surface water or Groundwater) at, in, by, from or related to the Facilities or any activities conducted thereon-, (ii) the environmental aspects of the transportation, storage, treatment or disposal of Hazardous Materials in connection with the operation of the Facilities; or (iii) the violation, or alleged violation, of any Environmental Laws, Orders or Permits of or from any Governmental Body relating to environmental matters connected with the Facilities.

"Environmental Law" means any Law concerning Releases into any part of the natural environment, or activities that might result in damage to the natural environment, or any Law that is concerned in whole or in part with the natural environment and with protecting or improving the quality of the natural environment and protecting public and employee health and safety and includes, but is not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") (42 U.S.C. § 9601 et seq.) the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (33 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.) and the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.) ("OSHA"), as such laws have been amended or supplemented, and the regulations promulgated pursuant thereto, and any and all analogous state or local statutes, and the regulations promulgated pursuant thereto, and any and all treaties, conventions and environmental public and employee health and safety statutes and regulations or analogous requirements of non-United States jurisdictions in which the Company conducts any business.

"Environmental Matters" means any matter arising out of or relating to the production, storage, transportation, disposal or Release of any Hazardous Material or otherwise arising out of or relating to safety, health or the environment which could give rise to liability or require the expenditure of money to address, and shall include, without limitation, the costs of investigating and remediating any of the foregoing matters, any fines and penalties arising in connection therewith, and any claim in respect thereof for damages or injunctive relief for alleged personal injury, property damage or damage to natural resources under common law or other Environmental Law.

"Environmental Permit" means any Permit, approval, authorization, license variance, registration, or permission required under any applicable Environmental Laws and all supporting documents associated therewith.

"Facilities" means real property, leased or operated by the Company.

"Governmental Body" means any governmental or regulatory body, or political subdivision thereof, whether federal, state, local or foreign, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

"Hazardous Materials" means any substance, material or waste which is regulated by any local, state or federal Governmental Body in the Jurisdiction in which the Company conducts business, or the United States, including, without limitation, any material or substance which is defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste" or restricted hazardous waste, "subject waste," "contaminant," "toxic waste" or "toxic substance" under any provision of Environmental Law, including but not limited to, petroleum products, asbestos and polychlorinated biphenyls.

"Indebtedness" means at a particular time, without duplication, (i) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money, (ii) any indebtedness evidenced by any note, bond, debenture or other debt security, (iii) any indebtedness for the deferred purchase price of property or services with respect to which a Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current liabilities incurred in the ordinary course of business which are not more than 30 days past due), (iv) any commitment by which a Person assures a creditor against loss (including, without limitation, contingent reimbursement obligations with respect to letters of credit), (v) any indebtedness guaranteed in any manner by a Person (including, without limitation, guarantees in the form of an agreement to repurchase or reimburse), (vi) any obligations under capitalized leases with respect to which a Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or with respect to which obligations a Person assures a creditor against loss, (vii) any indebtedness secured by a Lien on a Person's assets and (viii) any unsatisfied obligation for "withdrawal liability" to a multiemployer plan" as such terms are defined under ERISA.

"Intellectual Property" means all patents and patent applications, all trademarks, trade names, service marks and copyrights, all applications for registration of such trademarks, trade names, service marks and copyrights, all common law trade names, web site names, and all common law or statutory trade secrets, including know-how, inventions, designs, processes and computer programs (including source codes).

"Law" means any federal, state, local or foreign law (including common law), statute, code, ordinance, rule, regulation or other requirement or guideline.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits, proceedings (public or private), claims or governmental proceedings.

"Lien" means any lien, pledge, hypothecation, levy, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, easement, or other real estate declaration, covenant, condition, restriction or servitude, transfer restriction under any shareholder or similar agreement, encumbrance or any other restriction or limitation whatsoever.

"Material Adverse Change" means any material adverse change in the business, properties, results of operations, prospects or condition (financial or otherwise) of the Company or the Surviving Corporation.

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award.

"Permits" means any approvals, authorizations, registrations, consents, licenses, permits or certificates by any Governmental Body.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"Release" means any release, spill, effluent, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, or migration into the indoor or outdoor environment, or into or out of any property owned, operated or leased by the Company, including the movement of any Hazardous Material or other substance through or in the air, soil, surface water, groundwater, or property.

"Remedial Action" means all actions, including, without limitation, any capital expenditures, required or voluntarily undertaken to (i) clean up, remove, treat, or in any other way address any Hazardous Material or other substance in the indoor or outdoor environment; (ii) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material or other substance so it does not migrate or endanger or threaten to endanger public health or welfare of the indoor or outdoor environment; (iii) perform pre-remedial studies and investigations or post-remedial monitoring and care; or (iv) bring any Facility into compliance with all Environmental Laws and Environmental Permits.

"Representatives" of a Person means its officers, employees, agents, legal advisors and accountants.

"Shares" means the Common Stock to be purchased hereunder.

9.4 Expenses. Each party shall bear its own expenses in connection with the negotiation and execution of this Agreement and the transactions contemplated hereby.

9.5 Specific Performance. The Stockholders acknowledge and agree that the breach of this Agreement would cause irreparable damage to TWINLAB and Newco and that TWINLAB and Newco will not have an adequate remedy at law. Therefore, the obligations of the Stockholders under this Agreement, shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and granted in connection therewith. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which any party may have under this Agreement or otherwise.

9.6 Further Assurances. The Stockholders, TWINLAB and Newco each agree to execute and deliver such other documents or agreements as may be necessary or desirable for the implementation of this Agreement and the consummation of the Merger and the other transactions contemplated hereby or by the other Transaction Documents.

9.7 Submission to Jurisdiction, Waiver of Jury Trial, Consent to Service of Process.

(a) The parties hereto hereby irrevocably submit to the exclusive jurisdiction of any federal or state court located within the State of New York over any

dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY OF THE OTHER TRANSACTION DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES' ACCEPTANCE OF THIS AGREEMENT.

(c) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding, by the mailing of a copy thereof in accordance with the provisions of Section 9.11.

9.8 Entire Agreement: Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the parties hereto. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

9.9 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to the principles of conflict of laws thereunder.

9.10 Table of Contents and Headings. The table of contents and section headings of this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement.

9.11 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given when delivered personally, upon delivery to a nationally recognized overnight courier service, or when mailed by certified mail, return receipt requested, to the parties at the following addresses (or to such other address as a party may have specified by notice given to the other party pursuant to this provision):

If to Changes to:

Changes International of Fort Walton Beach, Inc.
1008 Airport Road
Suite E
Destin, Florida 32541

If to S. Paulson, to:

Scott Paulson
2504 Edgewater Drive
Niceville, Florida 32578
Telephone: (850) 678-3795

If to T. Paulson, to:

Terry Paulson
8735 Highway 98
Navarre Parkway
Navarre, Florida 32566
Telephone: (850) 939-6855

With a copy to (in the case of Changes or either Stockholder):

Steven B. Bauman, Esq.
Smith, Grimsley, Bauman, Pinkerton,
Petermann, Saxer and Wells
25 Walter Martin Avenue
P. O. Box 2379
Fort Walton Beach, Florida 32549
Telephone: (850) 243-8194
Fax: (850) 644-5728

If to Newco or to TWINLAB, to:

Twinlab Corporation
2120 Smithtown Avenue
Ronkonkoma, New York 11779
Attention: Philip M. Kazin, Esq.
Telephone: (516) 467-3140
Fax: (516) 471-2395

With a copy to:

Kramer, Levin, Naftalis & Frankel
919 Third Avenue
New York, New York 10022
Attention: Howard A. Sobel, Esq.
Telephone: (212) 715-9326
Fax: (212) 715-8000

All notices are effective upon receipt or upon refusal if properly delivered.

9.12 Severability. If any term, provision or covenant of this Agreement or part thereof, or the application thereof to any Person, place or circumstance shall be held to be invalid, unenforceable or void by a court of competent jurisdiction, the remainder of this Agreement and such term, provision or covenant shall remain in full force and effect, and any such invalid, unenforceable or void term, provision or covenant shall be deemed, without further action on the part of the parties hereto, modified, amended and limited, and the court shall have the power to modify, amend and limit such term, provision or covenant, to the extent necessary to render the same and the remainder of this Agreement valid, enforceable and lawful.


9.13 Binding Effect, Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights or any other rights of any kind in any Person or entity not a party to this Agreement except as provided below. No assignment of this Agreement or of any rights or obligations hereunder may be made by either of the Stockholders (by operation of law or otherwise) without the prior written consent of Newco and any attempted assignment without any required consent shall be void. Newco may assign this Agreement and any or all rights and obligations hereunder, in whole or in part, to any Affiliate of Newco, any successor to Newco or any assignee thereof (each, a "Successor"), whether direct or indirect, by purchase, merger, consolidation, operation of law or otherwise. Newco will require any such Successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Newco would be required to perform it if no such purchase, succession or assignment had taken place. Upon any such permitted assignment, the references in this Agreement to Newco shall also apply to any Successor unless the context otherwise requires.

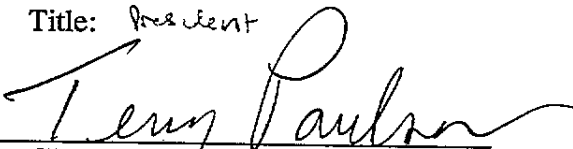
9.14 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.


CHANGES INTERNATIONAL OF
FORT WALTON BEACH, INC.

By: 
Name: Scott Paulson
Title: President



TERRY PAULSON


SCOTT PAULSON

TWINLAB ACQUISITION CORP.

By: 
Name: Ross Blechman
Title: Chairman of the Board, President

TWINLAB CORPORATION

By: 
Name: Ross Blechman
Title: Chairman of the Board, President
and CEO