

second party

W I T N E S S E T H :

That in consideration of the mutual covenants herein contained and the sum of One Dollar (\$1.00) by each of the parties hereto to the other in hand paid, the receipt whereof is hereby acknowledged, the parties hereto do hereby agree as follows:

1. The Company hereby employs Mr. Hoelscher as the General Manager of its business for the term of this agreement at the compensation hereinafter mentioned, and Mr. Hoelscher agrees to be so employed by the Company for such term at such compensation, and agrees to devote his entire business time, attention and efforts exclusively to the business of the Company and of any subsidiaries it may hereafter form or acquire as General Manager thereof, and to accept any corporate office, including that of Director, that he may be elected to by the Board of Directors or the Stockholders if and when so elected from time to

time, without the payment of any further compensation than that set forth herein, and to perform such duties as may be consistent with such positions as may be assigned to him from time to time by the Board of Directors.

2. In full payment for all the services of Mr. Hoelscher in each and every capacity in which he is employed by the Company (or any subsidiary), the Company agrees to pay to him and he agrees to accept from the Company the sum of Twenty-five Thousand Dollars (\$25,000) per annum, payable in equal monthly instalments at the end of each month during the term hereof, and in addition thereto, as additional compensation, a sum equal to 10% of the net earnings of the Company as herein defined, but in no event in excess of the additional sum of \$17,000, regardless of the amount of such net earnings. Such net earnings shall be deemed to mean the net income of the Company for each fiscal year after all proper deductions, accounting charges and adequate reserves for depreciation and obsolete inventory, but exclusive of such additional compensation to Mr. Hoelscher and exclusive of any reserves for Federal income taxes, including normal taxes, surtaxes or any other Federal income taxes; provided, however, that in computing said net earnings no capital gains or losses or nonrecurring profits or losses shall be considered. The computation of such net earnings shall be made by the independent certified public accountants regularly employed by

the Company to make its annual audit, and their determination in respect of the amount of said net earnings as above defined shall be conclusive and binding upon the parties hereto. Such additional compensation shall be paid to Mr. Hoelscher promptly after determination and in any event within sixty (60) days after the close of the fiscal year in respect of which such compensation is so determined. In the event that the Company shall conduct its business or any part thereof through one or more subsidiaries, the net earnings of the Company hereinbefore referred to shall be deemed to be that of the Company and its subsidiaries on a consolidated basis with proper eliminations for inter-company accounts and with proper adjustment for interests of any minority stockholders of such subsidiaries in such net earnings.

3. Mr. Hoelscher agrees that any and all inventions, improvements, tradenames or marks, merchandising methods or other developments originated by Mr. Hoelscher during the term of his employment, relating to the business of the Company and/or the sale of its products whether patentable or not, and any and all designs for clothing conceived or acquired by Mr. Hoelscher shall belong to and be the property of the Company free from any claim for payment therefor by Mr. Hoelscher, and Mr. Hoelscher agrees from time to time upon request, whether during or after the term of this agreement, to duly assign to and vest in the Company all right, title and interest in and to any such inventions,

improvements, tradenames or marks, merchandising methods or other developments and designs, including any patents or patent applications that may be issued or made in connection therewith.

4. Mr. Hoelscher agrees that during the term of this agreement he will not advise, assist, be employed by, invest in or otherwise become interested in any corporation, firm, individual or business that directly or indirectly competes in any manner with the business of the Company or of its subsidiaries, if any, as such business may now or hereafter be conducted during the term of this agreement.

5. This agreement shall be for the term of eighteen (18) months from the date hereof and shall continue thereafter for successive twelve (12) month periods so long as Mr. Hoelscher shall live, but either party hereto, with or without cause, may terminate this agreement as of June 30 in each year by serving written notice of the intention of such party to terminate this agreement on the other party hereto in person or by registered mail on or prior to April 1 next preceding such June 30, and in the event such notice is so served this agreement shall terminate and come to an end on the June 30 next following, and neither party hereto shall be under any obligation or liability to the other after such termination date, except only with respect to said additional compensation which shall be prorated for said six months' period and computed as aforesaid and paid within sixty days after said termination date, and except as otherwise specifically provided herein. In the event Mr. Hoelscher shall

die or become permanently incapacitated during the term of this agreement, his salary and additional compensation shall be prorated to the end of the month in which his death or permanent incapacity shall have occurred.

6. This agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors, legal representatives and assigns, but Mr. Hoelscher shall have no right to assign any of his rights hereunder, and the Company may only assign this agreement in connection with a merger or consolidation of the Company with another corporation or the sale of the Company of substantially all of its assets as a going concern to another corporation, firm or partnership.

IN WITNESS WHEREOF, the parties hereto have duly executed this agreement as of the day and year first above written in several counterparts, any one of which may be considered an original without the production of the others.