

THE LABORATORY INSTITUTE OF MERCHANDISING, INC.
12 East 53rd Street EBSA/PUBLIC DISCLOSURE
New York, New York 10022-5268
T: 212.752.1530 2010 JUN -9 PM 12:47
F: 212.832.6708

June 1, 2010

Secretary of Labor
Top-Hat Plan Exemption
Pension and Welfare Benefits Administration
Room N-5644
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Re: The Laboratory Institute of Merchandising, Inc.,
Employment and Deferred Compensation
Agreement

Dear Sir/Madam:

Pursuant to Section 2520.104-23 of the Department of Labor's Regulations, this letter will serve as notice that, with respect to the Employment and Deferred Compensation Agreement annexed hereto (the "Plan"), the undersigned intends to use the alternative form of compliance with the reporting and disclosure requirements of Part 1 of Title I of the Employee Retirement Income Security Act of 1974 (ERISA), which alternative form of compliance is provided in the aforesaid Regulations Section.


Pursuant to Regulations Section 2520.104-23(b), the following information is provided:

1. The Laboratory Institute of Merchandising, Inc., 12 East 53rd Street, New York, New York 10022.
2. Employer Identification Number: 13-5579528.
3. The Employer hereby declares that it maintains the Plan primarily for the purpose of providing deferred compensation for one highly compensated employee.
4. The Employer hereby states that it maintains one plan primarily for the purpose of providing deferred compensation for a highly compensated employee, and the number of employees in [each] such Plan is as follows:

Pursuant to Regulations Section 2520.104-23(b)(2), the Employer will provide plan documents, if any, to the Secretary of Labor upon request as required by Section 104(a)(1) of ERISA.

Very truly yours,

THE LABORATORY INSTITUTE OF
MERCHANDISING, INC.



Elizabeth S. Marcuse, President

encs.

THE LABORATORY INSTITUTE OF MERCHANDISING, INC.

12 East 53rd Street
New York, New York 10022-5268
T: 212.752.1530
F: 212.832.6708

June 1, 2010

Secretary of Labor
Top-Hat Plan Exemption
Pension and Welfare Benefits Administration
Room N-5644
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Re: The Laboratory Institute of Merchandising, Inc.,
Employment and Deferred Compensation
Agreement

Dear Sir/Madam:

Pursuant to Section 2520.104-23 of the Department of Labor's Regulations, this letter will serve as notice that, with respect to the Employment and Deferred Compensation Agreement annexed hereto (the "Plan"), the undersigned intends to use the alternative form of compliance with the reporting and disclosure requirements of Part 1 of Title I of the Employee Retirement Income Security Act of 1974 (ERISA), which alternative form of compliance is provided in the aforesaid Regulations Section.

Pursuant to Regulations Section 2520.104-23(b), the following information is provided:

1. The Laboratory Institute of Merchandising, Inc., 12 East 53rd Street, New York, New York 10022.
2. Employer Identification Number: 13-5579528.
3. The Employer hereby declares that it maintains the Plan primarily for the purpose of providing deferred compensation for one highly compensated employee.
4. The Employer hereby states that it maintains one plan primarily for the purpose of providing deferred compensation for a highly compensated employee, and the number of employees in [each] such Plan is as follows:

**EMPLOYMENT AND
PHANTOM STOCK AGREEMENT**

THIS AGREEMENT made and entered into as of the 17th day of MARCH, 2010 (the "Effective Date") by and between THE LABORATORY INSTITUTE OF MERCHANDISING, INC., a New York Corporation (the "Company"), and Michael Donohue (the "Executive");

WITNESSETH

WHEREAS, the Board of Directors of the Company (the "Board") believes that it is in the best interests of the Company to provide Executive with an incentive to continue his employment with the Company and to continue his efforts to maximize the value of the Company, and the Company is desirous of affording Executive incentives, in the form of an additional payment for services.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the Company and Executive hereby agree as follows:

ARTICLE I

EMPLOYMENT

Section 1.1. *Employment.* The Company hereby employs the Executive as the Chief Financial Officer of the Company to perform such duties and discharge such functions consistent with such office, in and about the business and affairs of the Company, subject to the direction of the Company's President and the Board. Executive shall diligently and in good faith perform and discharge such duties and functions and shall devote all of his working time, energy and ability exclusively to the performance of his duties hereunder. While employed by the Company,

Executive shall not directly or indirectly engage or participate in the operations or management of, or render any services to, any other businesses or enterprises.

Section 1.2. *Basic Compensation.* The Company agrees to pay Executive a base annual salary of Two Hundred Thirty Thousand Dollars (\$230,000). Such compensation shall be payable in accordance with such practices and procedures as are generally applicable to other employees of the Company.

Section 1.3. *Fringe Benefits.* While Executive is in the employ of the Company, the Company agrees to provide to Executive :

- (a) such benefits as may be provided by the Company from time to time generally to its employees;
- (b) by payment directly to the applicable insurance carriers, the premiums as they come due with respect to the disability and life insurance policies listed on Schedule 1.3 (the "Premiums"). The Company shall also pay to Executive an amount (the "Premiums Gross Up Amount") which, net of all applicable income taxes, as reasonably determined by the Company (including income taxes on the Premiums Gross Up Amount, and determined at the marginal income tax rates applicable to Executive for the calendar year in question), is sufficient to pay all applicable income taxes which are or will be payable by Executive resulting from the inclusion of the Premiums in Executive's taxable income. The Premiums Gross Up amount shall be payable on an annual basis, prior to the due date for filing of Executive's Federal Income Tax return for the calendar year in question; and
- (c) an amount for an annual allowance for automobile expenses (the "Car Allowance"),

which, net of all applicable income taxes payable by Executive (including income taxes on the Car Allowance, and determined at the marginal income tax rates applicable to Executive for the calendar year in question) as reasonably determined by the Company is equal to \$7500, which amount shall be paid in equal installments on a bi-weekly basis.

Section 1.4 *Severance; Termination* (a) If the Company terminates the employment of the Executive without Cause, or if Executive terminates his employment for "Good Reason" then provided that Executive shall have executed and delivered to the Company the general release in the form annexed hereto as Exhibit A (the "Release"), the Company shall (i) make a lump sum severance payment equal to six months of the Executive's then current base compensation, and (ii) shall pay to Executive, in monthly installments, but for not more than six monthly installments (the "Installments"), an amount equal to the monthly cost to the Company (determined as of the last calendar month immediately preceding the effective date of termination) for the medical insurance premiums with respect to Executive under the Company's medical insurance plan, provided that the obligation to make the payments pursuant to this clause (ii) shall terminate at such time that Executive obtains other employment and is eligible for medical insurance benefits with respect to such employment (regardless of whether Executive elects to participate in such employer's medical insurance benefits). Provided that Executive shall have executed and delivered the Release to the Company, the severance payment described in clause (i) shall be made within thirty (30) days after the effective date of termination of employment, and (ii) subject to termination of such obligation as described above, the Installments shall be paid on a monthly basis with each Installment paid on the first business day of each calendar month commencing with the first calendar month following the effective date of termination Executive shall not be entitled to the compensation described in this paragraph if the

Executive voluntarily terminates his employment with the Company at any time, if Executive dies or if the Executive's employment is terminated by either Executive or the Company as the result of Executive's Disability.

(b) The Company has the absolute right to terminate the employment of the Executive hereunder, for Cause without any further obligation to the Executive herein. The Company has the absolute right to terminate the employment of the Executive hereunder without Cause without any further obligation to the Executive herein except as provided in paragraph (a) of this Section 1.4. It is acknowledged and agreed that any diminution in Executive's job title, duties or functions shall not constitute a termination of employment.

(c) Executive shall have the right, upon not less than thirty (30) days prior written notice to the Company, to terminate his employment with the Company for Good Reason. In the event of such termination, the Company shall have no further obligation to the Executive herein, except as provided in paragraph (a) of this Section 1.4 (For the avoidance of doubt, in the event of a Termination for Good Reason, Executive shall not be entitled to any portion of the Phantom Stock Award.). Any termination of employment for Good Reason shall not be effective unless notice of such termination is received by the Company within thirty days following the end of the cure period for the material breach for which no cure was effected.

Section 1.5. *Definitions.* As used in this Agreement, the following terms shall have the respective meanings set forth below:

"*Business*" shall mean only the assets and liabilities relating to the regular ongoing operating business of the Company; the term "Business" shall not include any real property which is owned by the Company or any improvements to real property which is owned

by the Company or any liabilities for mortgage indebtedness secured by such property and improvements.

"Cause" shall mean: (i) willful and continued failure to perform Executive's duties as specified in this Agreement which failure is not cured within ten (10) days after receipt from the Company of written notice specifying such failure in reasonable detail, (ii) commission of any act or omission involving dishonesty, fraud, disloyalty or a breach of a fiduciary duty to the Company, (iii) commission of a felony, other than a motor vehicle offense, or other crime involving moral turpitude as determined by the Board in its reasonable discretion, (iv) any conduct which brings the Company into public disgrace or disrepute, (v) gross negligence or willful gross misconduct with respect to the Company, (vi) a breach of Article III of this Agreement, (vii) any material breach of any provision of the Company's Code of Conduct, Employee Handbook or similar document which is not cured within ten (10) days after receipt from the Company of written notice specifying such failure in reasonable detail, or (viii) any action which is reasonably deemed by the Board to be an act of insubordination, which action is not terminated immediately upon Executive's receipt of written notice from the Company.

"Change in Control" means

- (a) a sale, to any entity, person or persons acting as a group other than one or more Related Persons, of all or substantially all of the assets of the Business (i.e., a sale of all or substantially all of the Company's Business, which does not include a sale of its Real Property constitutes a Change in Control;

conversely, a sale of the Company's Real Property without a sale of the Business does not constitute a Change in Control), provided that such transaction also complies with the definition of a change in ownership of a substantial portion of the assets of the Company pursuant to section 409A of the Internal Revenue Code of 1986, as amended, (the "Code") and the Regulations thereunder (the "Regulations") ; or

- (b) a sale by the shareholders of the Company in one transaction or a series of related transactions of stock in which any entity, person or group, other than a Related Person, acquires ownership of stock of the Company that constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, provided that such sale by the shareholders also complies with the definition of a change in ownership of the Company pursuant to section 409A of the Code and the Regulations.

Company Value: (a) If the Determination Date occurs as a result of (i) Executive's death, (ii) termination of Executive's employment due to Disability, (iii) termination of executive's employment without Cause, or (iv) Executive attaining age 62, then, Company Value shall mean the Fair Market Value of the Business as of such Determination Date reduced by an amount equal to Fifty Percent (50%) of the then outstanding principal balance of all mortgage indebtedness secured by any Real Property owned by the Company.

(b) If the Determination Date is occasioned by a Change in Control involving the sale of all or substantially all of the assets of the Business, the Company Value shall mean the (x) the sum of the pre-tax consideration received for the sale of the assets of the Business,

minus (y) the sum of (i) all liabilities of the Business not assumed by the purchaser in such sale, (ii) an amount equal to Fifty Percent (50%) of the outstanding principal balance of all mortgage indebtedness secured by any Real Property owned by the Company prior to the closing of such sale, and (iii) the Transaction Costs.

(c) If the Determination Date is occasioned by a Change in Control involving a sale of stock representing more than 50% of the total fair market value or total voting power of the Company, then the Company Value shall mean the remainder of (x) the Full Company Consideration received in such sale minus (y) the sum of (i) Net Equity of the Real Property which is included in the assets of the Company at the time of such stock sale, (ii) the Transaction Costs, (iii) any liabilities of the Business required to be paid or satisfied at the time of closing of such sale and any liabilities of the Business retained directly or indirectly by the shareholders of the Company after such sale, and (iv) an amount equal to Fifty Percent (50%) of the outstanding principal balance of all mortgage indebtedness secured by any Real Property owned by the Company prior to the closing of such sale .

"Determination Date" shall mean the date of the occurrence of the applicable Triggering Event (which in the case of a Triggering Event which arise from a termination of employment shall mean the effective date of such termination).

"Disability" means that the Executive is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months as determined by the Board in its reasonable discretion, or (ii) is by reason of any medically determinable physical or mental impairment that can be

expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of at least three months under an accident or health plan covering employees of the Company (if any such plan is maintained by the Company) subject to the proviso that the provisions of any such accident or health plan provides a definition of disability that conforms to the definitional rules set forth in this clause (ii).

“Fair Market Value of the Business” shall mean the fair market value of the Business as of the Determination Date, as determined by a professional appraisal firm experienced in the valuation of businesses, selected by the certified public accountants then regularly retained by the Company, provided that in determining the Fair Market Value of the Business, the appraisal firm shall (i) exclude from such valuation the Net Equity of the Real Property, and (ii) shall make an appropriate reduction to take into account the fair market value rentals that would have been an expense of the Business if the Real Property owned by the Company was instead leased to the Business in an “arm’s length” transaction.

Full Company Consideration: In connection with a sale of stock of the Company by its shareholders, Full Company Consideration is intended to represent the amount that would have been paid if the stock sale resulted in the purchaser acquiring 100% of the shares of common stock of the Company. Therefore, in connection with a sale of stock in which the purchaser acquires 100% of the shares of stock of the Company, Full Company Consideration shall be equal to the pre-tax consideration received in such or sale. In connection with a sale of stock representing more than 50% of the total fair market value or total voting power of the Company but less than 100% of the shares of stock of the Company, Full Company Consideration shall be equal to (x) the net pre-tax consideration

received in such sale divided by (y) the decimal equivalent of the percentage of equity interests in the Company sold in such sale. As an example, if 75% of the shares of stock of the Company are sold for \$30 million, Full Company Consideration shall be determined by dividing \$30 million by .75, resulting in Full Company Consideration of \$40 million.

“Good Reason” shall mean a material breach by the Company of its obligations to pay the compensation described in Sections 1.2 or 1.3 and its failure to cure such breach within ten business days after receipt from Executive of written notice specifying such material breach in reasonable detail, provided however that (i) Good Reason shall not exist if there has been a reduction in the compensation payable to Executive pursuant to Sections 1.2 or 1.3, but the base salary and or fringe benefits payable to the Company’s President have been reduced by at least the same percentage reduction as the percentage reduction to Executive’s base salary or fringe benefits; and (ii) Good Reason shall not exist unless Executive has provided written notice to the Company of such material breach within thirty (30) days after the occurrence of such material breach. It is acknowledged and agreed that any diminution in Executive’s job title, duties or functions shall not constitute Good Reason.

“Net Equity of the Real Property” shall mean the fair market value of any real property owned by the Company and all improvements to such property reduced by the then outstanding principal balance of all mortgage indebtedness secured by any real property owned by the Company.

“Phantom Stock Award” shall be an amount equal to the percentage of the Company Value on the Determination Date as determined from the chart in Section 2.1.

“Prime Rate” shall mean the rate per annum equal to prime rate of interest as announced

by the Wall Street Journal on the Determination Date and thereafter adjusted annually to the prime rate of interest as announced by the Wall Street Journal on each subsequent anniversary of the Determination Date.

“Real Property” shall mean all real property owned by the Company and all improvements to such property.

“Related Person” shall mean (i) the current shareholders of the Company, their children, grandchildren, parents and spouses (if not legally separated under a decree of divorce or separate maintenance) and trusts for the benefit of any of such individuals, (ii) any entity in which any one or more of the persons described in clause (i) collectively owned directly or indirectly 50% or more of the voting power, (iii) any trustee or other fiduciary holding securities under an employee benefit plan for the Company, or (iv) any entity controlled by, controlling or under common control with the Company.

“Transaction Costs” shall mean all fees and expenses paid to attorneys, accountants, brokers and other professionals by the Company and/or its shareholders in connection with the transaction resulting in a Change in Control.

“Triggering Event” shall mean, as applicable: (i) the death of Executive, (ii) the termination of Executive’s employment due to Disability, (iii) Executive’s attaining age 62, (iv) termination of Executive’s employment without “Cause”, or (v) the closing of a transaction resulting in a Change in Control.

“Vesting Date” shall mean the earlier of (i) the date of on which Executive attains age 62, and (ii) the date of the closing of a transaction resulting in a Change in Control.

ARTICLE II

PHANTOM STOCK AWARD

Section 2.1. *Phantom Stock Award* (a) Provided that Executive has maintained continuous full-time employment with the Company from the Effective Date through the Vesting Date, then Executive shall be entitled to receive the Phantom Stock Award as determined in the chart set forth below .

(b) If prior to the Vesting Date, (i) Executive dies, and as of the date of death Executive was employed by the Company, or (ii) Executive's employment with the Company is terminated following his Disability and prior to such Disability, Executive has maintained continuous full-time employment with the Company from the Effective Date through the date on which a the physical or mental impairment resulting in the Disability is determined by the Board, in its reasonable discretion, to have first occurred, or (iii) Executive's employment with the Company is terminated by the Company without Cause, then in any of such events, Executive shall be entitled to receive the Phantom Stock Award as determined in the chart set forth below.

(c) Executive shall be entitled to receive the Phantom Stock Award on the first, and only upon the first, of the Triggering Events to occur.

(d) The amount of the Phantom Stock Award shall be determined pursuant to the following chart:

Triggering Event	Percentage of Company Value Payable to Executive
Executive Attains Age 62	10%
Change in Control	10%
Termination of Employment by the Company without Cause, prior to Age 62	1/2% for each whole Employment Year Executive was employed by the Company commencing after 2009 up to a 10% maximum
Death of Executive	1/2% for each whole Employment Year Executive was employed by the Company commencing after 2009 up to a 10% maximum
Disability of Executive	1/2% for each whole Employment Year Executive was employed by the Company commencing after 2009 up to a 10% maximum

Section 2.2. Payment of Phantom Stock Award.

(a) The Phantom Stock Award, shall be payable in cash over a period of twenty (20) years in eighty (80) consecutive quarterly installments, with interest at the Prime Rate, commencing on the date which is three months after the Determination Date. Each quarterly installment of the Phantom Stock Award shall include interest on the then unpaid portion of the Phantom Stock Award at a rate equal to the Prime Rate. Notwithstanding the foregoing, if the Phantom Stock Award becomes payable as a result of the closing of a transaction resulting in a Change In Control, then the Phantom Stock Award shall be payable over a period of five (5)

years, in twenty (20) consecutive quarterly installments (with interest payable as described above) commencing on the date which is three months after the Determination Date , and if the consideration in such transaction is not entirely in cash, then, at the option of the Company, the Phantom Stock Award shall either be paid entirely in cash or shall be paid in the same form of consideration (on the same proportionate basis) as is paid to the seller or sellers.

(b) Notwithstanding the provisions of the first sentence of paragraph (a), if the Triggering Event is an event other than a Change In Control, and a Change In Control occurs subsequent to the occurrence of such Triggering Event, then the balance of the Phantom Stock Award shall be payable over the shorter of (i) a period of five (5) years in twenty (20) consecutive quarterly installments,(with interest payable as described above) or, (ii) the balance of the original payment schedule, and, at the option of the Company, the balance of the Phantom Stock Award shall be paid in the same form of consideration (on the same proportionate basis) as is paid to the seller or sellers with respect to the Change In Control transaction

Section 2.4 *Forfeiture* (a) If prior to the Vesting Date, Executive voluntarily terminates his employment with the Company, or if the Company terminates Executive's employment for "Cause", then all rights to receive any Phantom Stock Award shall immediately terminate and shall be null and void and of no further force or effect.

(b) If following the Vesting Date Executive's employment is terminated by the Company for Cause, or Executive violates the covenants set forth in Article III, then all rights to receive subsequent installment payments of the Phantom Stock Award shall be forfeited, (without limitation to the Company's other remedies with respect to the violation of the covenants set forth in Article III).

Section 2.5. *Beneficiary.* Executive shall designate (by filing with the Company a written beneficiary designation form supplied by the Company) one or more primary beneficiaries and/or contingent beneficiaries to receive all or a specified part of the Phantom Stock Award which, at the time of Executive's death, may remain unpaid under this Agreement and Executive may change or revoke any such designation from time to time. No such designation, change or revocation shall be effective unless executed by Executive and accepted by the Company during Executive's lifetime. Each such designation, change or revocation shall be effective under this Agreement until changed or revoked in the manner specified herein. No such change or revocation shall require the consent of any beneficiary theretofore designated by Executive. If Executive fails to designate a beneficiary, or designates a beneficiary and thereafter revokes such designation without naming another beneficiary, or designates one or more beneficiaries and all such beneficiaries so designated fail to survive Executive, then the balance of the Phantom Stock Award to be paid following the death of Executive shall be payable to the representative of Executive's estate. Unless Executive has otherwise specified in the beneficiary designation, the beneficiary or beneficiaries designated by Executive shall become fixed as of Executive's death so that, if a beneficiary survives Executive but dies before the receipt of all payments due such beneficiary, such remaining payments shall be payable to the representative of such beneficiary's estate.

Section 2.6. *Benefits Not Transferable.* Neither Executive nor any beneficiary hereunder shall have any transferable interest in the payments due hereunder nor any right to assign, anticipate, alienate, dispose of, pledge or encumber the same prior to actual receipt thereof, nor shall the same be subject to attachment, garnishment, execution following judgment or other legal process instituted by creditors of Executive or any such beneficiary.

Section 2.7. *Nature of the Company's Obligation.* The Company shall not segregate any funds or other assets to be used for the payment of benefits under this Agreement. The obligation of the Company to make the payments described in this Agreement is an unsecured contractual obligation of the Company only, and neither Executive nor any beneficiary of Executive shall have any beneficial or preferred interest by way of trust, escrow, lien or otherwise in and to any specific assets or funds. Executive specifically acknowledges that the Phantom Stock Award is not a security in the Company and does not create any right in the equity or capital of the Company. Executive and each beneficiary of Executive shall look solely to the general credit of the Company for satisfaction of any obligations due or to become due under this Agreement, it being expressly acknowledged by the Executive that the obligations of the Company hereunder are junior and subordinate in right of payment to the obligations of the Company to its lenders. If the Company should, in its sole discretion, earmark or set aside any funds or other assets to pay benefits hereunder, the same shall, nevertheless, remain and be regarded as part of the general assets of the Company subject to the claims of its general creditors (and shall not be considered to be held in a fiduciary capacity for the benefit of Executive or any beneficiary hereunder), and neither Executive nor any beneficiary of Executive shall have any legal, beneficial, security or other property interest therein. Upon delivery by the Company to Executive of the consideration as provided in section 2.2, the rights and obligations of the Company under this Article II shall terminate and Executive shall have no other or further rights under this Article or in respect hereof. To the extent that the rights of Executive herein are determined as a result of a Change In Control, only the initial transaction resulting in a Change In Control shall have bearing on the rights of the Executive or the obligations of the Company, and not any subsequent transaction falling within the definition of Change In Control.

Section 2.8 *Taxability.* The Phantom Stock Award is an additional payment to the Executive for services rendered and shall be taxable to the Executive as ordinary income for the performance of services to the Company and shall be subject to any federal, state or local withholding requirements that may be applicable. The Executive agrees not to take any position inconsistent with this in connection with any tax returns or filings.

ARTICLE III

COVENANT NOT TO COMPETE; CONFIDENTIALITY; PROPRIETARY RIGHTS

Section 3.1. Covenant Not to Compete. Executive hereby covenants that for as long as Executive is employed by the Company and for a period of twenty-four (24) months following the termination of Executive's employment with the Company (the "Noncompete Period") (regardless of whether such termination is effected by the Executive or the Company, whether such termination is voluntary or involuntary, and whether such termination is with Cause or otherwise), Executive shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in any "Competing Business" within any geographical area within the continental United States. For purposes of this Article III, a "Competing Business" shall mean any college or university which offers a degree program (including without limitation, an associate degree, undergraduate degree or graduate degree) in any aspect of the fashion industry, including, without limitation, design, management, merchandising and marketing. Without limitation to the foregoing, for the avoidance of doubt, it is acknowledged and agreed that the institutions listed on Exhibit B shall be considered "Competing Businesses" Nothing herein shall prohibit Executive from being a passive owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

During the Noncompete Period, Executive shall not directly or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company to leave

the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, (ii) hire any person who was an employee of the Company at any time during the twelve month period immediately preceding the date of the intended hire, or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company to cease doing business with the Company, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company (including, without limitation, making any negative or disparaging statements or communications regarding the Company or its employees).

Section 3.2 *Confidentiality.* Executive acknowledges that all information, observations and data (including trade secrets) obtained by Executive in connection with his employment with the Company concerning the business or affairs of the Company (collectively, "Confidential Information") are the property of the Company. Therefore, Executive agrees that Executive shall not disclose to any person or entity or use for Executive's own purposes any Confidential Information or any confidential or proprietary information of other persons or entities in the possession of the Company ("Third Party Information"), without the prior written consent of the Board, unless and to the extent that the Confidential Information or Third Party Information becomes generally known to and available for use by the public other than as a result of Executive's acts or omissions, becomes necessary in connection with the defense of any claim brought against him, and/or the Company, or as required by law. Executive shall deliver to the Company at the termination of Executive's employment with the Company, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer files, disks and tapes, printouts and software and other documents and data (and copies thereof)

embodying or relating to Third Party Information, Confidential Information, Work Product (as defined below) or the business of the Company which Executive may then possess or have under Executive's control.

Section 3.3 *Intellectual Property, Inventions and Patents.* Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to the Company's businesses and which are conceived, developed or made by Executive (whether alone or jointly with others) while employed by the Company, whether before or after the date of this Agreement ("Work Product"), belong to the Company. Executive shall promptly disclose such Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). Executive acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended.

Section 3.4. *Remedies; Enforcement.* Recognizing that a breach of any of the covenants contained in sections 3.1, 3.2 and 3.3 would cause the Company irreparable injury and the damages at law would be difficult to ascertain, Executive consents to the granting of equitable relief by way of a restraining order or temporary or permanent injunction by any court of competent jurisdiction to prohibit the breach or enforce the performance of any of the

covenants contained in this Article III. If, at the time of enforcement of this Article III, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Executive acknowledges that the restrictions contained in this Article III are reasonable and that Executive has reviewed the provisions of this Agreement with Executive's legal counsel. The invalidity or unenforceability of any provision of this Article or the application thereof to any person or circumstance shall not affect or impair the validity or enforceability of any other provision or the application of the first provision to any other person or circumstance. Without limitation to the foregoing remedies, in the event of a breach of any of the covenants of this Article III, the Company shall have the right to repayment of any portion of the Phantom Stock Award previously paid and any amounts paid pursuant to Section 1.4 (a).

ARTICLE IV

GENERAL PROVISIONS

Section 4.1 *Compliance* To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code and the Regulations thereunder. This Agreement will be administered and interpreted in a manner consistent with this intent, and any provision that would cause this Agreement to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A of the Code). The Company and Executive agree to work

together in good faith in an effort to comply with Section 409A of the Code including, if necessary, amending this Agreement based on further guidance issued by the Internal Revenue Service from time to time, provided that the Corporation shall not be required to assume any increased economic burden. The foregoing shall not be construed as a guarantee by the Company of any particular tax effect to Executive under this Agreement.

Section 4.2. *Withholding Taxes.* The Company may withhold from any payment made under this Agreement (and transmit to the proper taxing authority) such amount as it may be required to withhold under any federal, state or local law.

Section 4.3. *Administration and Interpretation.* The Company's President and such other persons as the President may appoint shall have full power to interpret, construe and administer this Agreement, including authority to determine any dispute or claim with respect thereto. The Company shall give prompt written notice to Executive of the determination by the Company of any matter provided herein, and, unless notice objecting to such determination is given as provided herein, the determination of the Company in any matter, made in good faith, shall be binding and conclusive upon Executive and all other persons having any right or benefit hereunder.

Section 4.4. *Notices.* All notices, requests and other communications from any of the parties hereto to the other shall be in writing and shall be considered to have been duly given or served when personally delivered to any individual party, an Executive officer of any corporate party, or on the first day after the date of deposit with Federal Express for next day delivery, postage prepaid, or on the third day after deposit in the United States mail, certified or registered, return receipt requested, postage prepaid, or on the date of telecopy, fax or similar telephonic

transmission during normal business hours, provided that the recipient has specifically acknowledged by telephone receipt of such telecopy, fax or telephonic transmission; addressed, in all cases, to the party at his or its address set forth below, or to such other address as such party may hereafter designate by written notice to the other party:

(i) If to the Company to:

12 East 53rd Street

New York, New York 10022

Attn: Elizabeth S. Marcuse, President

(ii) If to Executive to:

44 Townview Drive

Wappingers Falls, NY 12590

Section 4.5. *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto, the respective successors and assigns of the Company and the beneficiaries, personal representatives and heirs of Executive.

Section 4.6. *Controlling Law.* This Agreement shall be construed, and the legal relations between the parties determined, in accordance with the laws of the state of New York without giving effect to principles of conflicts of law.

Section 4.7. *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original without the production of the others, but all of which together shall constitute one and the same instrument.

Section 4.8. *Entire Agreement.* This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and may not be varied, modified or amended except by a writing signed by the parties to be charged. The making, execution and delivery of this Agreement by the parties hereto have been induced by no representations, statements, warranties or agreements of the other except those herein expressed.

Section 4.9. *Headings.* The division of this Agreement into sections and paragraphs and the titles assigned thereto is only a matter of convenience for reference and shall not define or limit any of the terms or provisions thereof.

Section 4.10. *At Will Employment.* This Agreement does not guarantee or imply any right to continued employment for any period whatsoever. The Company and the Executive acknowledge that Executive's employment is and shall continue to be at will as defined under applicable law. Executive shall have the right to immediately terminate his employment by giving two (2) weeks' notice thereof to the Company. The Company shall have the right to immediately terminate Executive's employment by giving written notice thereof to Executive which notice may be effective immediately.

Section 4.11 *Benefit Claim Procedure Regarding Phantom Stock Award*

Any claim regarding the Phantom Stock Award shall be settled as follows:

(a) The Executive or his beneficiary, or the duly authorized representative of the Executive or such beneficiary, may file with the Company a written claim which must be delivered to the Company, in person or by mail, postage prepaid. Within ninety (90) days after the receipt of such a claim, the Company shall send to Executive, by mail, postage prepaid a notice of the granting or the denying, in whole or in part, of such claim, unless special

circumstances require an extension of time for process the claim. In no event may the extension exceed ninety (90) days from the end of the initial ninety day period. If such an extension is necessary, Executive will be given a written notice to this effect prior to the expiration of the initial ninety (90) day period. The Company shall have full discretion to deny or grant a claim in whole or in part in accordance with the terms of this Agreement. If notice of the denial of a claim is not furnished in accordance with this Section, the claim shall be deemed denied and Executive shall be permitted to exercise his right of review pursuant to paragraphs (c) and (d) of this Section, as applicable.

(b) If the Company denies Executive's claim for the Phantom Stock Award, it shall provide a written notice setting forth, in a manner calculated to be understood by the Executive:

- (i) The specific reason or reasons for the denial;
- (ii) A specific reference to the pertinent provisions on which the denial is based;
- (iii) A description of any additional material or information necessary in order for Executive to perfect his claim and an explanation of why such material or information is necessary; and
- (iv) An explanation of the Agreement's claim review procedure.

(c) Within sixty (60) days after the receipt by Executive of written notification of the denial (in whole or in part) of a claim, the Executive or the his duly authorized representative,

upon written application to the Company, delivered in person or by certified mail, postage prepaid, may review pertinent documents and may submit to the Company, in writing, issues and comments concerning the claim.

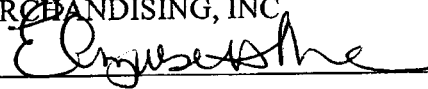
(d) Upon the Company's receipt of a notice of a request for review, the Company shall make a prompt decision on the review and shall communicate the decision on review in writing to executive. The decision on review shall be written in a manner calculated to be understood by executive and shall include specific reasons for the decision and specific references to the pertinent Agreement provisions on which the decision is based. The decision on review shall be made not later than sixty (60) days after the Company's receipt of a request for a review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered not later than one hundred twenty (120) days after receipt of the request for review. If an extension is necessary, the Executive shall be given written notice of the extension by the Company prior to the expiration of the initial sixty (60) day period. If notice of the decision on review is not furnished in accordance with this section, the claim shall be deemed denied on review.

Section 4.12 *Change In Control Resulting from a Sale of Shares* In the event of a Change In Control transaction resulting from a sale of the stock of the Company by the shareholders of the Company, the shareholders shall cause the purchasers of such shares to confirm the obligation of the Company to pay the Phantom Stock Award in accordance with the provisions set forth herein.

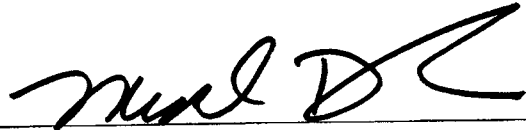
IN WITNESS WHEREOF, the individual party has hereunto set his hand and the corporate party has caused these presents to be executed by a proper officer thereunto duly

authorized all as of the day and year first above written.

THE LABORATORY INSTITUTE
OF MERCHANDISING, INC

By:  _____

Elizabeth S. Marcuse, President

 _____

Michael Donohue

SCHEDULE 1.3

Disability Insurance

Met Life policy # 6445506 AH

Met Life policy #6492730 AH

Life insurance

Variable Life Insurance Policy

NE Financial Policy #1Y204904

EXHIBIT A

FORM OF RELEASE

Dear Michael:

This General Release ("Agreement") summarizes our mutual understanding regarding termination of your employment with The Laboratory Institute of Merchandising, Inc. (the "Company") under the terms of your employment agreement with the Company dated as of January __, 2010 (the "Employment Agreement").

General Release. Except for the rights set forth in (a) this Agreement, and (b) the Employment Agreement (to the extent such rights survive the termination or expiration of such Employment Agreement), you (for yourself, your heirs, executors, administrators and assigns) irrevocably and unconditionally release and forever discharge the Company and its, successors, assigns, agents, directors, shareholders, officers, employees and representatives ("Released Parties"), from any and all, whether known or unknown, claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, losses, agreements, rights, expenses or liabilities of any nature whatsoever in law and in equity, both past and present, by reason of any matter, action, omission, course or thing whatsoever occurring up to the date this Agreement is signed by you including, without limitation, those relating to your employment with the Company, or concerning the termination of such employment, which you (or any of your heirs, executors, administrators and assigns) may now or at any time hereafter have against any of the Released Parties. This includes, but is not limited to, any claims or rights you may have under any Federal, State or local laws or regulations prohibiting employment discrimination on the basis of race, color, national origin, religion, sex, age, sexual orientation, ancestry, medical condition, marital status, physical or mental disability (including, but not limited to, those covered by the New York Human Rights Law, Exec. Law Section 290 et seq.; the New York City Administrative Code, Title 8, Chapter 1, Section 8-107 et seq.; Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000e et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621 et seq.; the Americans With Disabilities Act of 1990, as amended, 42 U.S.C. Section 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et seq.; and the Employee Retirement Income Security Act, as amended, 29 U.S.C. Section 1001 et seq.). This also includes, but is not limited to, a release of any claims or rights you may have based upon contract, covenant, public policy or tort. If, notwithstanding this Agreement, you bring an action against any of the Released Parties, based on any matter otherwise covered by this Agreement, and the relevant Released Parties prevail in such action, you agree that you will pay all costs and expenses incurred by any of the Released Parties in defending against such suit, including reasonable attorney fees.

Notwithstanding the possibility that you may hereafter discover facts different from or in addition to those you now know or believe to be true, you hereby expressly waive all rights under any statute or legal principle of similar effect except for the matters set forth in this Agreement. In signing this Agreement, you acknowledge and intend that it shall be effective as a

bar to each and every one of the claims hereinabove mentioned or implied. You expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated claims), if any, as well as those relating to any other claims hereinabove mentioned or implied. You acknowledge and agree that this waiver is an essential and material term of this Agreement and that without such waiver the Company would not have agreed to the terms of the Employment Agreement. You further agree that in the event you should bring a claim seeking damages against the Company, or in the event you should seek to recover against the Company in any claim brought by a governmental agency on your behalf, this Agreement shall serve as a complete defense to such claims. You further agree that you are not aware of any pending claim of the type described above as of the execution of this Agreement.

Non-admission of Liability. You agree not to assert that this Agreement is an admission of guilt or wrongdoing on the part of the Released Parties because the Released Parties do not believe or admit that any of them has done anything wrong. In addition, the Company agrees not to assert that this Agreement is an admission of guilt or wrongdoing on your part because you do not believe or admit that you have done anything wrong.

Non-Disparagement. You agree that you will not at any time make any written or oral statements, representations or other communications that disparage the business or reputation of the Company or its affiliates or any officer, director, shareholder employee, agent or representative of, or consultant to, the Company, other than to the extent necessary to respond in an appropriate manner to any legal process or give appropriate testimony in a legal or regulatory proceeding and the Company agrees that it will not make any written or oral statements, representations or other communications that disparage your reputation other than to the extent required by law or necessary to respond in an appropriate manner to any legal process or give appropriate testimony in a legal or regulatory proceeding.

Review, Revocation and Amendment. You understand that you have been given a period of twenty-one (21) days to review and consider this Agreement before signing it. You further understand that you may use as much of this twenty-one (21) day period as you wish prior to signing. You are strongly encouraged to consult with an attorney before signing this Agreement. However, you understand that whether or not to do so is your decision.

You may revoke this Agreement within seven (7) days of your signing it. Revocation can be made by delivering a written notice of revocation to the Company in the manner specified in the Employment Agreement. For this revocation to be effective, written notice must be received by the Company, no later than 5:00 p.m. on the seventh day after you sign this Agreement. If you revoke this Agreement it shall not be effective or enforceable.

You agree that the provisions of this Agreement may not be amended, waived, changed or modified except by an instrument in writing signed by an authorized representative of the Company and by you.

Severability. You and the Company both agree that if any term of this Agreement is invalid or unenforceable that term will be inoperative, but the remaining terms will not be affected and will be construed and enforced as if this Agreement did not contain the invalid term.

Confidentiality. You agree that this Agreement and the Employment Agreement are confidential and agree not to disclose any information regarding the terms of this Agreement or the Employment Agreement, except to your immediate family and any tax, legal or other counsel you have consulted regarding the meaning or effect hereof or as required by law, and you will instruct each of the foregoing not to disclose the same to anyone.

Sincerely,

THE LABORATORY INSTITUTE OF
MERCHANDISING, INC.

By: _____

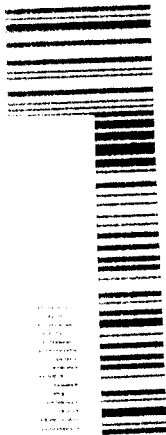
I ACKNOWLEDGE THAT I HAVE READ THIS AGREEMENT, THAT I UNDERSTAND IT, AND THAT I AM VOLUNTARILY ENTERING INTO IT. AS THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, I HAVE READ THIS AGREEMENT VERY CAREFULLY.

AGREED TO: _____
MICHAEL DONOHUE

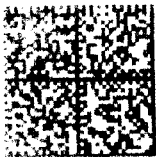
DATE: _____

Exhibit B

1. Fashion Institute of Technology (FIT)- NYC, NY
2. Montclair State University- Upper Montclair, NJ
3. Philadelphia University- Philadelphia, PA
4. Parsons- NYC, NY
5. Johnson and Wales University- Providence, RI
6. Lasell College- Newton, MA
7. Marist College- Poughkeepsie, NY
8. Fashion Institute of Design and Merchandising (FIDM)-Los Angeles, CA
9. Berkeley College- NYC, NY
10. University of Rhode Island- Kingston, RI



7000 1670 0009 0399 4863



\$ 07.00⁰

00042674 109 3013
MAILED FROM ZIP CODE 10016

MCLAUGHLIN & STERN, LLP

Established 1898

260 MADISON AVENUE • NEW YORK, NY 10016

CERTIFIED MAIL RRR

Secretary of Labor
Top-Hat Plan Exemption
Pension & Welfare Benefits Administration
Room N-5644
U.S. Department of Labor
200 Constitution Avenue N.W.
Washington, DC 20210

415 723 0720