**U. S. SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

# FORM 10-Q

**[ X ] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2005**

**PRESTIGE BRANDS HOLDINGS, INC.**

| **Delaware** | **20-1297589** | **001-32433** |
|---|---|---|
| (State of Incorporation) | (I.R.S. Employer Identification No.) | (Commission File Number) |

**PRESTIGE BRANDS INTERNATIONAL, LLC**

| **Delaware** | **20-0941337** | **333-11715218-18** |
|---|---|---|
| (State of Incorporation) | (I.R.S. Employer Identification No.) | (Commission File Number) |

(Exact name of Registrants as specified in their charters)

| **90 North Broadway**<br>**Irvington, New York 10533** | **(914) 524-6810** |
|---|---|
| (Address of Principal Executive Offices) | (Registrants' telephone number, including area code) |

This Quarterly Report on Form 10-Q is a combined quarterly report being filed separately by Prestige Brands Holdings, Inc. and Prestige Brands International LLC, both registrants. Prestige Brands International, LLC, an indirect wholly-owned subsidiary of Prestige Brands Holdings, Inc. is the indirect parent company of Prestige Brands, Inc., the issuer of our 9¼% senior subordinated notes due 2012, and the parent guarantor of such notes. As the indirect holding company of Prestige Brands International, LLC, Prestige Brands Holdings, Inc. does not conduct ongoing business operations. As a result, the financial information for Prestige Brands Holdings, Inc. and Prestige Brands International, LLC is identical for the purposes of the discussion of operating results in "Management's Discussion and Analysis of Financial Condition and Results of Operations." Unless otherwise indicated, we have presented information throughout this Form 10-Q for Prestige Brands Holdings, Inc. and its consolidated subsidiaries, including Prestige Brands International, LLC. The information contained herein relating to each individual registrant is filed by such registrant on its own behalf. Neither registrant makes any representation as to information relating to the other registrant. Prestige Brands International, LLC meets the conditions set forth in general instructions (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the Registrants are accelerated filers (as defined in Exchange Act Rule 12b-2).
Yes o No x

As of February 8, 2005, Prestige Brands Holdings, Inc. had 50,040,890 shares of common stock outstanding. As of such date, Prestige International Holdings, LLC, a wholly-owned subsidiary of Prestige Brands Holdings, Inc., owned 100% of the uncertificated ownership interests of Prestige Brands International, LLC.

# Prestige Brands Holdings, Inc.
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# Prestige Brands Holdings, Inc.

**Consolidated Balance Sheets**

***(Unaudited)***

***(In thousands)***

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 9,646 | $ 5,334 |
| Accounts receivable | 36,011 | 35,918 |
| Inventories | 33,682 | 24,833 |
| Deferred income tax assets | 7,195 | 5,699 |
| Prepaid expenses and other current assets | 3,049 | 3,152 |
| Funds in escrow | 3,000 | -- |
| Total current assets | 92,583 | 74,936 |
| | | |
| Property and equipment | 1,453 | 2,324 |
| Goodwill | 298,273 | 294,731 |
| Intangible assets | 647,021 | 608,613 |
| Other long-term assets | 14,502 | 15,996 |
| | | |
| Total Assets | $ 1,053,832 | $ 996,600 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 20,553 | $ 21,705 |
| Accrued liabilities | 11,715 | 11,589 |
| Current portion of long-term debt | 3,730 | 3,730 |
| Total current liabilities | 35,998 | 37,024 |
| | | |
| Long-term debt | 513,833 | 491,630 |
| Deferred income tax liabilities | 98,872 | 85,899 |
| | | |
| Total liabilities | 648,703 | 614,553 |
| | | |
| **Commitments and Contingencies - Note 13** | | |
| | | |
| **Stockholders' Equity** | | |
| Preferred stock - $0.01 par value | | |
| Authorized - 5,000 shares | | |
| Issued and outstanding - None | -- | -- |
| Common stock - $0.01 par value | | |
| Authorized - 250,000 shares | | |
| Issued and outstanding - 50,056 shares at December 31, 2005 and 50,000 March 31, 2005 | 501 | 500 |
| Additional paid-in capital | 378,417 | 378,251 |
| Treasury stock, at cost - 15 shares at December 31, 2005 and 2 shares at March 31, 2005 | (25) | (4) |
| Accumulated other comprehensive income | 608 | 320 |
| Retained earnings | 25,628 | 2,980 |
| Total stockholders' equity | 405,129 | 382,047 |
| | | |
| Total Liabilities and Stockholders' Equity | $ 1,053,832 | $ 996,600 |

*See accompanying notes.*

# Prestige Brands Holdings, Inc.

**Consolidated Statements of Operations**

*(Unaudited)*

| *(In thousands, except per share data)* | Three Months Ended December 31 | | Nine Months Ended December 31 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| **Revenues** | | | | |
| Net sales | $ 79,829 | $ 73,018 | $ 216,577 | $ 211,630 |
| Other revenues | 27 | 25 | 77 | 126 |
| Total revenues | 79,856 | 73,043 | 216,654 | 211,756 |
| **Cost of Sales** | | | | |
| Cost of sales | 38,726 | 33,241 | 103,224 | 104,320 |
| Gross profit | 41,130 | 39,802 | 113,430 | 107,436 |
| **Operating Expenses** | | | | |
| Advertising and promotion | 7,385 | 5,168 | 26,307 | 24,402 |
| General and administrative | 6,159 | 5,690 | 15,182 | 15,113 |
| Depreciation | 520 | 457 | 1,495 | 1,395 |
| Amortization of intangible assets | 2,314 | 2,148 | 6,610 | 5,753 |
| Total operating expenses | 16,378 | 13,463 | 49,594 | 46,663 |
| Operating income | 24,752 | 26,339 | 63,836 | 60,773 |
| **Other income (expense)** | | | | |
| Interest income | 144 | 48 | 451 | 135 |
| Interest expense | (9,670) | (12,042) | (27,158) | (34,012) |
| Loss on extinguishment of debt | -- | -- | -- | (7,567) |
| Total other income (expense) | (9,526) | (11,994) | (26,707) | (41,444) |
| Income before provision for income taxes | 15,226 | 14,345 | 37,129 | 19,329 |
| Provision for income taxes | 5,881 | 5,218 | 14,481 | 7,392 |
| Net income | 9,345 | 9,127 | 22,648 | 11,937 |
| Cumulative preferred dividends on Senior Preferred and Class B Preferred Units | -- | (3,895) | -- | (11,341) |
| Net income available to members and common stockholders | $ 9,345 | $ 5,232 | $ 22,648 | $ 596 |
| Basic earnings per share | $ 0.19 | $ 0.21 | $ 0.46 | $ 0.02 |
| Diluted earnings per share | $ 0.19 | $ 0.20 | $ 0.45 | $ 0.02 |
| Weighted average shares outstanding: | | | | |
| Basic | 48,929 | 24,725 | 48,874 | 24,617 |
| Diluted | 50,010 | 26,613 | 50,007 | 26,543 |

*See accompanying notes.*

# Prestige Brands Holdings, Inc.

**Consolidated Statement of Changes in Stockholders' Equity**
**and Comprehensive Income**
**Nine Months Ended December 31, 2005**
***(Unaudited)***

| *(In thousands)* | Common Stock Shares | Common Stock Par Value | Additional Paid-in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Other Comprehensive Income | Retained Earnings | Totals |
|---|---|---|---|---|---|---|---|---|
| Balances - March 31, 2005 | 50,000 | $ 500 | $ 378,251 | 2 | $ (4) | $ 320 | $ 2,980 | $382,047 |
| Additional costs associated with initial public offering | | | (63) | | | | | (63) |
| Issuance of common stock and options to officers, directors and employees | 56 | 1 | 229 | | | | | 230 |
| Repurchase of common stock | | | | 13 | (21) | | | (21) |
| Components of comprehensive income | | | | | | | | |
| Net income | | | | | | | 22,648 | 22,648 |
| Unrealized gain on interest rate cap, net of income tax benefit of $134 | | | | | | 288 | | 288 |
| Total comprehensive income | | | | | | | | 22,936 |
| Balances - December 31, 2005 | 50,056 | $ 501 | $ 378,417 | 15 | $ (25) | $ 608 | $ 25,628 | $405,129 |

*See accompanying notes.*

# Prestige Brands Holdings, Inc.

**Consolidated Statements of Cash Flows**

***(Unaudited)***

| *(In thousands)* | Nine Months Ended December 31 | |
|---|---|---|
| | 2005 | 2004 |
| **Operating Activities** | | |
| Net income | $ 22,648 | $ 11,937 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,105 | 7,148 |
| Deferred income taxes | 11,543 | 12,749 |
| Amortization of deferred financing costs | 1,727 | 2,290 |
| Stock-based compensation | 230 | -- |
| Loss on extinguishment of debt | -- | 7,567 |
| Changes in operating assets and liabilities, net of effects of purchases of businesses | | |
| Accounts receivable | 2,681 | 520 |
| Inventories | (6,997) | 4,470 |
| Prepaid expenses and other assets | 271 | (914) |
| Accounts payable | (3,549) | 1,160 |
| Account payable - related parties | -- | 1,000 |
| Accrued liabilities | (823) | (7,989) |
| Net cash provided by operating activities | 35,836 | 39,938 |
| | | |
| **Investing Activities** | | |
| Purchases of equipment | (452) | (198) |
| Purchases of intangibles | (22,623) | -- |
| Purchases of businesses, net of cash acquired | (30,555) | (425,479) |
| Net cash used for investing activities | (53,630) | (425,677) |
| | | |
| **Financing Activities** | | |
| Proceeds from the issuance of notes | 30,000 | 698,512 |
| Payment of deferred financing costs | (13) | (23,529) |
| Repayment of notes | (7,797) | (344,605) |
| Proceeds from the issuance of equity securities | -- | 58,722 |
| Purchase of shares for treasury | (21) | -- |
| Additional costs associated with initial public offering | (63) | -- |
| Net cash provided by financing activities | 22,106 | 389,100 |
| | | |
| Increase in cash | 4,312 | 3,361 |
| Cash - beginning of period | 5,334 | 3,393 |
| | | |
| Cash - end of period | $ 9,646 | $ 6,754 |
| | | |
| **Supplemental Cash Flow Information** | | |
| Fair value of assets acquired, net of cash acquired | $ 33,909 | $ 655,537 |
| Fair value of liabilities assumed | (3,354) | (229,966) |
| Purchase price funded with non-cash contributions | -- | (92) |
| Cash paid to purchase businesses | $ 30,555 | $ 425,479 |
| | | |
| Interest paid | $ 28,206 | $ 24,359 |
| Income taxes paid | $ 1,335 | $ 2,427 |

*See accompanying notes.*

## 1. Business and Basis of Presentation

***Nature of Business***

Prestige Brands Holdings, Inc. (“the Company”) and its subsidiaries are engaged in the marketing, sales and distribution of over-the-counter drug, personal care and household cleaning brands to mass merchandisers, drug stores, supermarkets and club stores primarily in the United States. In February 2005, the Company completed an initial public offering.

***Basis of Presentation***

The unaudited consolidated financial statements presented herein have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the financial statements include all adjustments, consisting only of normal recurring adjustments that are considered necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the interim periods. Operating results for the three and nine month periods ended December 31, 2005 are not necessarily indicative of results that may be expected for the year ending March 31, 2006. This financial information should be read in conjunction with the Company’s financial statements and notes thereto included in Amendment No. 2 to the Company’s Annual Report on Form 10-K/A for the year ended March 31, 2005.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company’s knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of the Company’s cash is held by one bank located in Wyoming. The Company does not believe that, as a result of this concentration, it is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

***Accounts Receivable***

The Company extends non-interest bearing trade credit to its customers in the ordinary course of business. To minimize credit risk, ongoing evaluations of customers’ financial condition are performed; however, collateral is not required. The Company maintains an allowance for doubtful accounts based on its historical collections experience, as well as its evaluation of current and expected conditions and trends affecting its customers.

***Sales Returns***

The Company must make estimates of potential future product returns related to current period sales. In order to do this, the Company analyzes historical returns, current economic trends, changes in customer demand and acceptance of the Company’s products when evaluating the adequacy of the Company’s allowance for returns in any accounting period. If actual returns are greater than those estimated by management, the Company’s financial statements in future periods may be adversely affected.

***Inventories***
Inventories are stated at the lower of cost or fair value, where cost is determined by using the first-in, first-out method. The Company provides an allowance for slow moving and obsolete inventory.

***Property and Equipment***
Property and equipment are stated at cost and are depreciated using the straight-line method based on the following estimated useful lives:

| | **Years** |
|---|---|
| Machinery | 5 |
| Computer equipment | 3 |
| Furniture and fixtures | 7 |

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the consolidated statement of operations.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

***Goodwill***
The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in acquisition transactions is classified as goodwill. In accordance with Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“Statement”) No. 142, “Goodwill and Other Intangible Assets,” the Company does not amortize goodwill, but performs impairment tests of the carrying value at least annually.

***Intangible Assets***
Intangible assets are stated at cost less accumulated amortization. For intangible assets with finite lives, amortization is computed on the straight-line method over estimated useful lives ranging from five to 30 years.

Indefinite lived intangible assets are tested for impairment at least annually, while intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

***Deferred Financing Costs***
The Company has incurred debt issuance costs in connection with its long-term debt. These costs are capitalized as deferred financing costs and amortized using the effective interest method over the term of the related debt.

***Revenue Recognition***
Revenues are recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) there is a fixed or determinable price; (3) the product has been shipped and the customer takes ownership and assumes risk of loss; and (4) collectibility of the resulting receivable is reasonably assured. The Company has determined that the transfer of risk of loss generally occurs when product is received by the customer and, accordingly, recognizes revenue at that time. Provision is made for estimated customer discounts and returns at the time of sale based on the Company’s historical experience.

The Company frequently participates in the promotional programs of its customers, as is customary in this industry. The ultimate cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These programs may include coupons, scan downs, temporary price

reductions or other price guarantee vehicles. The Company estimates the cost of such promotional programs at their inception based on historical experience and current market conditions and reduces sales by such estimates. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

***Costs of Sales***

Costs of sales include product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Shipping, warehousing and handling costs were $7.3 million and $5.7 million for the three month periods ended December 31, 2005 and 2004, respectively, and $19.1 million and $16.9 million for the nine month periods ended December 31, 2005 and 2004, respectively.

***Advertising and Promotion Costs***

Advertising and promotion costs are expensed as incurred. Slotting fees associated with products are recognized as a reduction of sales. Under slotting arrangements, the retailers allow the Company's products to be placed on the stores' shelves in exchange for such fees. Direct reimbursements of advertising costs are reflected as a reduction of advertising costs in the period earned.

***Stock-based Compensation***

During the three month period ended September 30, 2005, the Company adopted FASB, Statement No. 123(R), "Share-Based Payment" ("Statement No. 123(R)") with the initial grants of restricted stock and options to purchase common stock to employees and directors in accordance with the provisions of the Company's Long-Term Equity Incentive Plan ("the Plan"). Statement No. 123(R) requires the Company to measure the cost of services to be rendered based on the grant-date fair value of the equity award. Compensation expense is to be recognized over the period which an employee is required to provide service in exchange for the award, generally referred to as the requisite service period. The Company recorded non-cash compensation charges of $0.1 million and $0.2 million during the three month and nine month periods ended December 31, 2005, respectively, for such grants.

***Income Taxes***

Income taxes are recorded in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes" ("Statement No. 109"). Pursuant to Statement No. 109, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

***Derivative Instruments***

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("Statement No. 133"), requires companies to recognize derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

The Company has designated its derivative financial instruments as cash flow hedges because they hedge exposure to variability in expected future cash flows that are attributable to interest rate risk. For these hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instruments is recorded in results of operations immediately.

***Earnings Per Share***
Basic and diluted earnings per share are calculated based on income available to member and common shareholders and the weighted-average number of shares outstanding during the reported period. For the period ended December 31, 2004, the weighted average number of common shares outstanding includes the Company's common units as if the common units had been converted to common stock using the February 2005 initial public offering conversion ratio of one common unit to 0.4589 shares of common stock.

***Recently Issued Accounting Standards***
In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47") which clarifies guidance provided by Statement No. 143, "Accounting for Asset Retirement Obligations." FIN 47 is effective for the Company no later than March 31, 2006. The adoption of FIN 47 is not expected to have a significant impact on the Company's financial position, results of operations or cash flows.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("Statement No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" ("APB Opinion No. 20") and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." Statement No. 154 requires that voluntary changes in accounting principle be applied retrospectively to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustments be made to the opening balance of retained earnings. APB Opinion No. 20 had required that most voluntary changes in accounting principle be recognized by including in net income the cumulative effect of changing to the new principle. Statement No. 154 is effective for all accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

**2. Acquisition of Dental Concepts, LLC**

On November 8, 2005, the Company completed the acquisition of the ownership interests of Dental Concepts, LLC ("Dental Concepts"), a marketer of therapeutic oral care products sold under "The Doctor's®" brand. The Company expects that The Doctor's® product line will benefit from its business model of outsourcing manufacturing and increasing awareness through targeted marketing and advertising. Additionally, the Company anticipates benefits associated with its ability to leverage certain economies of scale and the elimination of redundant operations. The results from operations of The Doctor's® brand since the acquisition date are included within the Company's financial statements as a component of the over-the-counter segment.

The purchase price of the ownership interests was approximately $30.5 million (net of cash acquired of $0.3 million), including fees and expenses of the acquisition of $0.5 million. The Company financed the acquisition price through the utilization of its senior revolving credit facility and with cash resources of $30.0 million and $0.5 million, respectively.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The Company has obtained independent valuations of certain tangible and intangible assets; however, the final purchase price will not be determined until all valuations have been completed and all contingencies have been resolved. Consequently, the allocation of the purchase price is subject to refinement. At December 31, 2005, $3.0 million is being held in escrow pending the resolution of the aforementioned contingencies. Future disbursements from escrow will increase the amount recorded in the Company's consolidated balance sheet as goodwill.

The fair values assigned to the net assets acquired consist of the following:

| *(In thousands)* | | |
|---|---|---|
| Accounts receivable | $ | 2,774 |
| Inventory | | 1,852 |
| Prepaid expenses and other assets | | 172 |
| Property and equipment | | 174 |
| Intangible assets | | 22,395 |
| Goodwill | | 3,542 |
| Funds in escrow | | 3,000 |
| Accounts payable and accrued liabilities | | (3,354) |
| | $ | 30,555 |

The allocation to intangible assets of $22.4 million relates solely to "The Doctor's ®" brand trademark which the Company estimates to have a useful life of 20 years. At December 31, 2005, goodwill resulting from this transaction was $3.5 million. As discussed above, this recorded amount is subject to change as additional information becomes available; however, it is estimated that such amount will be fully deductible for income tax purposes.

The following table sets forth the unaudited results of the Company's operations on a pro forma basis as if the acquisition of Dental Concepts had been completed on April 1, 2004. It also includes the pro forma results from operations of Vetco, Inc., which was acquired in October 2004, as if the acquisition of Vetco, Inc. had been completed on April 1, 2004. The pro forma financial information is not necessarily indicative of the operating results that the combined entities would have achieved had the acquisition been consummated on April 1, 2004, nor is it necessarily indicative of the operating results that may be expected for the year ending March 31, 2006.

| | **Three Months Ended December 31** | | **Nine Months Ended December 31** | |
|---|---|---|---|---|
| ***(In thousands, except per share data)*** | **2005** | **2004** | **2005** | **2004** |
| Revenues | $ 81,475 | $ 76,275 | $ 224,697 | $ 227,274 |
| Income before provision for income taxes | $ 15,057 | $ 14,188 | $ 36,343 | $ 21,393 |
| Net income | $ 9,242 | $ 9,031 | $ 22,168 | $ 13,203 |
| Cumulative preferred dividends on Senior Preferred and Class B Preferred Units | -- | (3,895) | -- | (11,341) |
| Net income available to members and common shareholders | $ 9,242 | $ 5,136 | $ 22,168 | $ 1,862 |
| Basic earnings per share | $ 0.19 | $ 0.21 | $ 0.45 | $ 0.08 |
| Diluted earnings per share | $ 0.18 | $ 0.19 | $ 0.44 | $ 0.07 |
| Weighted average shares outstanding: | | | | |
| Basic | 48,929 | 24,725 | 48,874 | 24,617 |
| Diluted | 50,010 | 26,613 | 50,007 | 26,543 |

## 3. Accounts Receivable

The components of accounts receivable consist of the following (in thousands):

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Accounts receivable | $ 37,752 | $ 36,985 |
| Other receivables | 1,163 | 835 |
| | 38,915 | 37,820 |
| Less allowances for discounts, returns and uncollectible accounts | (2,904) | (1,902) |
| | $ 36,011 | $ 35,918 |

## 4. Inventories

Inventories consist of the following (in thousands):

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Packaging and raw materials | $ 3,970 | $ 3,587 |
| Finished goods | 29,712 | 21,246 |
| | $ 33,682 | $ 24,833 |

Inventories are shown net of allowances for obsolete and slow moving inventory of $1.6 million and $1.5 million at December 31, 2005 and March 31, 2005, respectively.

## 5. Property and Equipment

Property and equipment consist of the following (in thousands):

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Machinery | $ 3,338 | $ 3,099 |
| Computer equipment | 928 | 771 |
| Furniture and fixtures | 303 | 244 |
| Leasehold improvements | 340 | 173 |
| | 4,909 | 4,287 |
| Accumulated depreciation | (3,456) | (1,963) |
| | $ 1,453 | $ 2,324 |

## 6. Goodwill

As discussed in Note 2, the Company purchased the ownership interests of Dental Concepts in November 2005. The excess of the purchase price over the fair value of the assets acquired and the liabilities assumed has been recorded as goodwill.

A reconciliation of the activity affecting the carrying value of goodwill is as follows:

| | | |
|---|---|---|
| Balance - March 31, 2005 | $ | 294,731 |
| Goodwill acquired in connection with the acquisition of Dental Concepts, LLC | | 3,542 |
| Balance - December 31, 2005 | $ | 298,273 |

**7. Intangible Assets**

On October 28, 2005, the Company completed the acquisition of the “Chore Boy®” brand of cleaning pads and sponges. The purchase price of the Chore Boy® brand of $22.6 million, including direct costs of $0.4 million, has been allocated to indefinite lived intangible assets and a covenant not-to-compete of $22.6 million and $0.04 million, respectively.

Intangible assets consist of the following (in thousands):

| | December 31, 2005 | | | |
|---|---|---|---|---|
| | Gross Amount | Additions | Accumulated Amortization | Net Amount |
| Indefinite lived trademarks | $ 522,346 | $ 22,585 | $ -- | $ 544,931 |
| Amortizable intangible assets | | | | |
| Trademarks | 94,900 | 22,395 | (15,359) | 101,936 |
| Non-compete agreement | 158 | 38 | (42) | 154 |
| | 95,058 | 22,433 | (15,401) | 102,090 |
| | $ 617,404 | $ 45,018 | $ (15,401) | $ 647,021 |

| | March 31, 2005 | | | |
|---|---|---|---|---|
| | Gross Amount | Additions | Accumulated Amortization | Net Amount |
| Indefinite lived trademarks | $ 522,346 | $ -- | $ -- | $ 522,346 |
| Amortizable intangible assets | | | | |
| Trademarks | 94,900 | | (8,775) | 86,125 |
| Non-compete agreement | 158 | | (16) | 142 |
| | 95,058 | -- | (8,791) | 86,267 |
| | $ 617,404 | $ -- | $ (8,791) | $ 608,613 |

At December 31, 2005, intangible assets are expected to be amortized over a period of five to 30 years as follows (in thousands):

| Twelve Months Ending December 31 | |
|---|---|
| 2006 | $ 10,061 |
| 2007 | 10,061 |
| 2008 | 10,061 |
| 2009 | 9,013 |
| 2010 | 8,665 |
| Thereafter | 54,229 |
| | $ 102,090 |

## 8. Long-Term Debt

| Long-term debt consists of the following (in thousands): | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Senior revolving credit facility ("Revolving Credit Facility"), which expires on April 6, 2009, is available for maximum borrowings of up to $60.0 million. The Revolving Credit Facility bears interest at the Company's option at either the prime rate plus a variable margin or LIBOR plus a variable margin. The variable margin ranges from 0.75% to 2.50% and at December 31, 2005, the interest rate on the Revolving Credit Facility was 8.75% per annum. The Company is also required to pay a variable commitment fee on the unused portion of the Revolving Credit Facility. At December 31, 2005, the commitment fee was 0.50% of the unused line. The Revolving Credit Facility is collateralized by substantially all of the Company's assets. | $ 25,000 | $ -- |
| Senior secured term loan facility, ("Tranche B Term Loan Facility") that bears interest at the Company's option at either the prime rate or LIBOR plus a variable margin of 2.25%. At December 31, 2005, the weighted average applicable interest rate on the Tranche B Term Loan Facility was 6.34%. Principal payments of $933 and interest are payable quarterly. In February 2005, the Tranche B Term Loan Facility was amended to increase the amount available thereunder by $200.0 million, all of which is available at December 31, 2005. Current amounts outstanding under the Tranche B Term Loan Facility mature on April 6, 2011, while amounts borrowed pursuant to the amendment will mature on October 6, 2011. The Tranche B Term Loan Facility is collateralized by substantially all of the Company's assets. | 366,563 | 369,360 |
| Senior Subordinated Notes ("Senior Notes") that bear interest at 9.25% which is payable on April 15$^{th}$ and October 15$^{th}$ of each year. The Senior Notes mature on April 15, 2012; however, the Company may redeem some or all of the Senior Notes on or prior to April 15, 2008 at a redemption price equal to 100%, plus a make-whole premium, and on or after April 15, 2008 at redemption prices set forth in the indenture governing the Senior Notes. The Senior Notes are unconditionally guaranteed by Prestige Brands International, LLC ("Prestige International"), a wholly owned subsidiary, and Prestige International's wholly owned subsidiaries (other than the issuer). Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries. | 126,000 | 126,000 |
| | 517,563 | 495,360 |
| Current portion of long-term debt | (3,730) | (3,730) |
| | $ 513,833 | $ 491,630 |

The Revolving Credit Facility and the Tranche B Term Loan Facility (together the “Senior Credit Facility”) contain various financial covenants, including provisions that require the Company to maintain certain leverage ratios, interest coverage ratios and fixed charge coverage ratios. Additionally, the Senior Credit Facility contains provisions that restrict the Company from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, changes of control, incurrence of indebtedness, creation of liens and transactions with affiliates. The Company was in compliance with its financial and restrictive covenants under the Senior Credit Facility at December 31, 2005.

Future principal payments required in accordance with the terms of the Senior Credit Facility and the Senior Notes are as follows (in thousands):

| **Twelve Months Ending December 31** | | |
|---|---|---|
| 2006 | $ | 3,730 |
| 2007 | | 3,730 |
| 2008 | | 3,730 |
| 2009 | | 28,730 |
| 2010 | | 3,730 |
| Thereafter | | 473,913 |
| | $ | 517,563 |

The Company entered into a 5% interest rate cap agreement with a financial institution to mitigate the impact of changing interest rates. The agreement provides for a notional amount of $20.0 million and terminates in June 2006. The Company also entered into interest rate cap agreements with another financial institution that became effective on August 30, 2005, with a total notional amount of $180.0 million and cap rates ranging from 3.25% to 3.75%. The agreements terminate on May 30, 2006, 2007 and 2008 as to $50.0 million, $80.0 million and $50.0 million, respectively. The Company is accounting for the interest rate cap agreements as cash flow hedges. The fair value of the interest rate cap agreements, which is included in other long-term assets, was $2.9 million at December 31, 2005.

## 9. Shareholders’ Equity

In connection with the Company’s IPO, the Board of Directors adopted the 2005 Long-Term Equity Incentive Plan (“the Plan”). The Plan provides for grants of stock options, restricted stock, restricted stock units, deferred stock units and other equity-based awards. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan. At December 31, 2005, there were 4.7 million shares available for issuance under the Plan.

Pursuant to the provisions of the Plan, on July 29, 2005, each of the Company’s four independent members of the Board of Directors received an award of 6.2 thousand shares of common stock in connection with Company’s directors’ compensation arrangements. Of such amount, 1.8 thousand shares represent a one-time grant of unrestricted shares, while the remaining 4.4 thousand shares represent restricted shares that vest over a two year period.

On August 4, 2005, Frank Palantoni joined the Company as President and Chief Operating Officer. In connection therewith, the Board of Directors granted Mr. Palantoni 30.9 thousand shares of restricted common stock and options to purchase an additional 61.8 thousand shares of common stock at an exercise price of $12.95 per share. The options vest over a period of five years while the restricted shares will vest contingent upon the attainment of certain revenue and earnings per share targets.

In September 2005, the Company repurchased 13.0 thousand shares of restricted common stock from former employees pursuant to the provisions of the various employee stock purchase agreements. The average purchase price of the shares was $1.70 per share.

In October 2005, the Company's Board of Directors authorized the grant of 156.0 thousand shares of restricted stock with a fair market value of $12.32 per share, the closing price of the Company's common stock on September 30, 2005, to employees. The issuance of such shares is contingent upon the Company's attainment of certain revenue and earnings per share targets. Additionally, in the event that an employee terminates his or her employment with the Company prior to October 1, 2008, the vesting date, the shares will be forfeited.

### 10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands):

| | Three Months Ended December 31 | | Nine Months Ended December 31 | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| **Numerator** | | | | |
| Net income (loss) available to members and common shareholders | $ 9,345 | $ 5,232 | $ 22,648 | $ 596 |
| **Denominator** | | | | |
| Denominator for basic earnings per share - weighted average shares | 48,929 | 24,725 | 48,874 | 24,617 |
| Dilutive effect of unvested restricted common stock issued to employee and directors | 1,081 | 1,888 | 1,133 | 1,926 |
| Denominator for diluted earnings per share | 50,010 | 26,613 | 50,007 | 26,543 |
| **Earnings per Common Share:** | | | | |
| Basic | $ 0.19 | $ 0.21 | $ 0.46 | $ 0.02 |
| Diluted | $ 0.19 | $ 0.20 | $ 0.45 | $ 0.02 |

Outstanding employee stock options to purchase an aggregate of 61.8 thousand shares of common stock at December 31, 2005 were not included in the computation of diluted earnings per share because their exercise price was greater than the average market price of the common stock, and therefore, their inclusion would be antidilutive. At December 31, 2005, 1.0 million restricted shares issued to management and employees are unvested; however, such shares (with the exception of 31 thousand chares with vesting subject to contingencies) are included in the calculation of diluted earnings per share. Additionally, the grant of 156.0 thousand shares of restricted stock to employees has been excluded from the calculation of both basic and diluted earnings per share since such shares are subject to contingencies.

### 11. Related Party Transactions

The Company had entered in an agreement with an affiliate of GTCR Golder Rauner II, LLC ("GTCR"), a private equity firm and an investor in the Company, whereby the GTCR affiliate was to provide management and advisory services to the Company for an aggregate annual compensation of $4.0 million.

The agreement was terminated in February 2005. During the three month and nine month periods ended December 31, 2004, the Company paid the affiliate of GTCR a management fee of $1.0 million and $2.9 million, respectively.

## 12. Income Taxes

Income taxes are recorded in the Company's quarterly financial statements based on the Company's estimated annual effective income tax rate. The effective rates used in the calculation of income taxes were 38.6% and 36.4% for the three month periods ended December 31, 2005 and 2004, respectively. For the nine month periods ended December 31, 2005 and 2004, the effective tax rates were 39.0% and 38.2%, respectively. The increase in the effective tax rate for the three month period ended December 31, 2005 results from the increase in the Company's graduated federal income tax rate from 34% to 35%, due to the formation of the Company in February 2005 and the election to file a consolidated federal income tax return. The difference in the effective tax rates for the nine month periods ended December 31, 2005 and 2004 results primarily from the computation of taxes on a separate company basis during the nine month period ended December 31, 2004.

## 13. Commitments and Contingencies

In June 2003, Dr. Jason Theodosakis filed a lawsuit, Theodosakis v. Walgreens, et al., in Federal District Court in Arizona, alleging that two of the Company's subsidiaries, Medtech Products and Pecos Pharmaceutical, as well as other unrelated parties, infringed the trade dress of two of his published books. Specifically, Dr. Theodosakis published "The Arthritis Cure" and "Maximizing the Arthritis Cure" regarding the use of dietary supplements to treat arthritis patients. Dr. Theodosakis alleged that his books have a distinctive trade dress, or cover layout, design, color and typeface, and those products that the defendants sold under the ARTHx trademarks infringed the books' trade dress and constituted unfair competition and false designation of origin. Additionally, Dr. Theodosakis alleged that the defendants made false endorsements of the products by referencing his books on the product packaging and that the use of his name, books and trade dress invaded his right to publicity. The Company sold the ARTHx trademarks, goodwill and inventory to a third party, Contract Pharmacal Corporation, in March 2003. On January 12, 2005, the court granted the Company's motion for summary judgment and dismissed all claims against Pecos and Medtech. The plaintiff has filed an appeal in the U.S. Court of Appeals which is pending.

On January 3, 2005, the Company was served with process by its former lead counsel in the Theodosakis litigation seeking $679,000 plus interest. The case was filed in the Supreme Court of New York and is styled as Dickstein Shapiro et al v. Medtech Products, Inc. In February 2005, the plaintiffs filed an amended complaint naming the Pecos Pharmaceutical Company as defendant. The Company has answered and filed a counterclaim against Dickstein and also filed a third party complaint against the Lexington Insurance Company, the Company's product liability carrier. The Company believes that if there is any obligation to the Dickstein firm relating to this matter, it is an obligation of Lexington and not the Company.

The Company and certain of its officers and directors are defendants in a consolidated putative securities class action lawsuit filed in the United States District Court for the Southern District of New York (the "Consolidated Action"). The first of the six consolidated cases was filed on August 3, 2005. Plaintiffs purport to represent a class of shareholders of the Company who purchased shares between February 9, 2005 through November 15, 2005. Plaintiffs also name as defendants the underwriters in the Company's initial public offering and a private equity fund that was a selling shareholder in the offering. The district court has appointed a Lead Plaintiff. On December 23, 2005, the Lead Plaintiff filed a Consolidated Class Action Complaint, which asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 and Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934. The Lead Plaintiff generally alleges that the Company issued a series of materially false and misleading statements in

connection with its initial public offering and thereafter in regard to the following areas: the accounting issues described in the Company's press release issued on or about November 15, 2005; and the alleged failure to disclose that demand for certain of the Company's products was declining and that the Company was planning to withdraw several products from the market. Plaintiffs seek an unspecified amount of damages. The Company intends to file a motion to dismiss the Consolidated Class Action Complaint on or about February 21, 2006. The Company's management believes the allegations to be unfounded, will vigorously pursue its defenses, and cannot reasonably estimate the potential range of loss, if any.

On September 6, 2005, another putative securities class action lawsuit substantially similar to the initially-filed complaints in the Consolidated Action described above was filed against the same defendants in the Circuit Court of Cook County, Illinois (the "Chicago Action"). In light of the first-filed Consolidated Action, proceedings in the Chicago Action have been stayed until a ruling on defendants' anticipated motions to dismiss the consolidated complaint in the Consolidated Action. The Company's management believes the allegations to be unfounded, will vigorously pursue its defenses, and cannot reasonably estimate the potential range of loss, if any.

The Company is also involved from time to time in routine legal matters and other claims incidental to its business. When it appears probable in management's judgment that the Company will incur monetary damages or other costs in connection with such claims and proceedings, and such costs can be reasonably estimated, liabilities are recorded in the financial statements and charges are recorded against earnings. The Company believes the resolution of such routine matters and other incidental claims, taking into account reserves and insurance, will not have a material adverse effect on its financial condition or results of operation.

## 14. Concentrations of Risk

The Company's sales are concentrated in the areas of over-the-counter pharmaceutical products, personal care products and household cleaning products. The Company sells its products to mass merchandisers, food and drug accounts, and dollar and club stores. During the three and nine month periods ended December 31, 2005, approximately 59.8% and 62.1%, respectively, of the Company's total sales were derived from its four major brands, while during the three and nine month periods ended December 31, 2004, approximately 64.7% and 64.6%, respectively, of the Company's total sales were derived from these four brands. During the three and nine month periods ended December 31, 2005, approximately 20.0% and 22.4%, respectively, of the Company's net sales were made to one customer, while during the three and nine month periods ended December 31, 2004, 27.7% and 28.1% of net sales were to this customer. At December 31, 2005, approximately 19.6% of accounts receivable were owed by this customer.

The Company manages product distribution in the continental United States through a main distribution center in St. Louis, Missouri. A serious disruption, such as a flood or fire, to the main distribution center could damage the Company's inventories and could materially impair the Company's ability to distribute its products to customers in a timely manner or at a reasonable cost. The Company could incur significantly higher costs and experience longer lead times associated with the distribution of its products to its customers during the time that it takes the Company to reopen or replace its distribution center. As a result, any such disruption could have a material adverse effect on the Company's sales and profitability.

## 15. Business Segments

Segment information has been prepared in accordance with FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's operating segments are based on its product lines and consist of (i) Over-the-Counter Drugs, (ii) Personal Care and (iii) Household

Cleaning. Accordingly, within each reportable segment are operations that have similar economic characteristics, including the nature of their products, production process, type of customer and method of distribution.

There were no inter-segment sales or transfers during the periods ended December 31, 2005 and 2004. The Company evaluates the performance of its product lines and allocates resources to them based primarily on contribution margin. The table below summarizes information about reportable segments (in thousands).

| | Quarter Ended December 31, 2005 | | | |
|---|---|---|---|---|
| | **Over-the-Counter Drug** | **Personal Care** | **Household Cleaning** | **Consolidated** |
| Net sales | $ 42,051 | $ 7,007 | $ 30,771 | $ 79,829 |
| Other revenues | -- | -- | 27 | 27 |
| Total revenues | 42,051 | 7,007 | 30,798 | 79,856 |
| Cost of sales | 15,821 | 3,954 | 18,951 | 38,726 |
| Gross profit | 26,230 | 3,053 | 11,847 | 41,130 |
| Advertising and promotion | 4,926 | 724 | 1,735 | 7,385 |
| Contribution margin | $ 21,304 | $ 2,329 | $ 10,112 | 33,745 |
| Other operating expenses | | | | 8,993 |
| Operating income | | | | 24,752 |
| Other income (expense) | | | | (9,526) |
| Provision for income taxes | | | | (5,881) |
| Net income | | | | $ 9,345 |

| | Nine Months Ended December 31, 2005 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 116,199 | $ 21,595 | $ 78,783 | $ 216,577 |
| Other revenues | -- | -- | 77 | 77 |
| Total revenues | 116,199 | 21,595 | 78,860 | 216,654 |
| Cost of sales | 43,044 | 12,307 | 47,873 | 103,224 |
| Gross profit | 73,155 | 9,288 | 30,987 | 113,430 |
| Advertising and promotion | 18,192 | 2,870 | 5,245 | 26,307 |
| Contribution margin | $ 54,963 | $ 6,418 | $ 25,742 | 87,123 |
| Other operating expenses | | | | 23,287 |
| Operating income | | | | 63,836 |
| Other income (expense) | | | | (26,707) |
| Provision for income taxes | | | | (14,481) |
| Net income | | | | $ 22,648 |

| | Quarter Ended December 31, 2004 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 40,964 | $ 7,612 | $ 24,442 | $ 73,018 |
| Other revenues | -- | -- | 25 | 25 |
| Total revenues | 40,964 | 7,612 | 24,467 | 73,043 |
| Cost of sales | 14,545 | 3,681 | 15,015 | 33,241 |
| Gross profit | 26,419 | 3,931 | 9,452 | 39,802 |
| Advertising and promotion | 3,357 | 797 | 1,014 | 5,168 |
| Contribution margin | $ 23,062 | $ 3,134 | $ 8,438 | 34,634 |
| Other operating expenses | | | | 8,295 |
| Operating income | | | | 26,339 |
| Other income (expense) | | | | (11,994) |
| Provision for income taxes | | | | (5,218) |
| Net Income | | | | $ 9,127 |

| | Nine Months Ended December 31, 2004 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 113,067 | $ 24,593 | $ 73,970 | $ 211,630 |
| Other revenues | -- | -- | 126 | 126 |
| Total revenues | 113,067 | 24,593 | 74,096 | 211,756 |
| Cost of sales | 44,075 | 12,800 | 47,445 | 104,320 |
| Gross profit | 68,992 | 11,793 | 26,651 | 107,436 |
| Advertising and promotion | 15,709 | 4,213 | 4,480 | 24,402 |
| Contribution margin | $ 53,283 | $ 7,580 | $ 22,171 | 83,034 |
| Other operating expenses | | | | 22,261 |
| Operating income | | | | 60,773 |
| Other income (expense) | | | | (41,444) |
| Provision for income taxes | | | | (7,392) |
| Net income | | | | $ 11,937 |

During the nine month periods ended December 2005 and 2004, 97.9% and 97.7%, respectively, of sales were made to customers in the United States and Canada. Other than the United States, no individual geographical area accounted for more than 10% of net sales in any of the periods presented. At December 31, 2005 and 2004, all of the Company’s long-term assets were located in the United States of America and have not been allocated between segments.

# Prestige Brands International, LLC
## Consolidated Balance Sheets
***(Unaudited)***

***(In thousands)***

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 9,646 | $ 5,334 |
| Accounts receivable | 36,011 | 35,918 |
| Inventories | 33,682 | 24,833 |
| Deferred income tax assets | 7,195 | 5,699 |
| Prepaid expenses and other current assets | 3,049 | 3,152 |
| Funds in escrow | 3,000 | -- |
| Total current assets | 92,583 | 74,936 |
| Property and equipment | 1,453 | 2,324 |
| Goodwill | 298,273 | 294,731 |
| Intangible assets | 647,021 | 608,613 |
| Other long-term assets | 14,502 | 15,996 |
| Total Assets | $ 1,053,832 | $ 996,600 |
| **Liabilities and Members' Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 20,553 | $ 21,705 |
| Accrued liabilities | 11,715 | 11,589 |
| Current portion of long-term debt | 3,730 | 3,730 |
| Total current liabilities | 35,998 | 37,024 |
| Long-term debt | 513,833 | 491,630 |
| Deferred income tax liabilities | 98,872 | 85,899 |
| Total liabilities | 648,703 | 614,553 |
| **Commitments and Contingencies - Note 12** | | |
| **Members' Equity** | | |
| Contributed capital - Prestige Holdings | 370,423 | 370,277 |
| Accumulated other comprehensive income | 608 | 320 |
| Retained earnings | 34,098 | 11,450 |
| Total members' equity | 405,129 | 382,047 |
| Total liabilities and members' equity | $ 1,053,832 | $ 996,600 |

*See accompanying notes.*

# Prestige Brands International, LLC

## Consolidated Statements of Operations

*(Unaudited)*

| *(In thousands)* | Three Months Ended December 31 | | Nine Months Ended December 31 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| **Revenues** | | | | |
| Net sales | $ 79,829 | $ 73,018 | $ 216,577 | $ 211,630 |
| Other revenues | 27 | 25 | 77 | 126 |
| Total revenues | 79,856 | 73,043 | 216,654 | 211,756 |
| **Cost of Sales** | | | | |
| Cost of sales | 38,726 | 33,241 | 103,224 | 104,320 |
| Gross profit | 41,130 | 39,802 | 113,430 | 107,436 |
| **Operating Expenses** | | | | |
| Advertising and promotion | 7,385 | 5,168 | 26,307 | 24,402 |
| General and administrative | 6,159 | 5,690 | 15,182 | 15,113 |
| Depreciation | 520 | 457 | 1,495 | 1,395 |
| Amortization of intangible assets | 2,314 | 2,148 | 6,610 | 5,753 |
| Total operating expenses | 16,378 | 13,463 | 49,594 | 46,663 |
| Operating income | 24,752 | 26,339 | 63,836 | 60,773 |
| **Other income (expense)** | | | | |
| Interest income | 144 | 48 | 451 | 135 |
| Interest expense | (9,670) | (12,042) | (27,158) | (34,012) |
| Loss on extinguishment of debt | -- | -- | -- | (7,567) |
| Total other income (expense) | (9,526) | (11,994) | (26,707) | (41,444) |
| Income before provision for income taxes | 15,226 | 14,345 | 37,129 | 19,329 |
| Provision for income taxes | 5,881 | 5,218 | 14,481 | 7,392 |
| Net income | $ 9,345 | $ 9,127 | $ 22,648 | $ 11,937 |

*See accompanying notes.*

# Prestige Brands International, LLC

## Consolidated Statement of Changes in Members' Equity and Comprehensive Income

**Nine Months Ended December 31, 2005**

***(Unaudited)***

| *(In thousands)* | Contributed Capital Prestige Holdings | Accumulated Other Comprehensive Income | Retained Earnings | Totals |
|---|---|---|---|---|
| Balances - March 31, 2005 | $ 370,277 | $ 320 | $ 11,450 | $ 382,047 |
| Additional costs associated with capital contributions from Prestige Brands Holdings | (63) | | | (63) |
| Capital contributions from Prestige Brands Holdings in connection with compensation of officers and directors | 230 | | | 230 |
| Repurchase of equity units | (21) | | | (21) |
| Components of comprehensive income | | | | |
| Net income for the period | | | 22,648 | 22,648 |
| Unrealized loss on interest rate cap, net of tax benefit of $116 | | 288 | | 288 |
| Total comprehensive income | | | | 22,936 |
| Balances - December 31, 2005 | $ 370,423 | $ 608 | $ 34,098 | $ 405,129 |

*See accompanying notes.*

# Prestige Brands International, LLC

**Consolidated Statements of Cash Flows**

***(Unaudited)***

| *(In thousands)* | Nine Months Ended December 31 | |
|---|---|---|
| | 2005 | 2004 |
| **Operating Activities** | | |
| Net income | $ 22,648 | $ 11,937 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,105 | 7,148 |
| Deferred income taxes | 11,543 | 12,749 |
| Amortization of deferred financing costs | 1,727 | 2,290 |
| Stock-based compensation | 230 | -- |
| Loss on extinguishment of debt | -- | 7,567 |
| Changes in operating assets and liabilities, net of effects of purchases of businesses | | |
| Accounts receivable | 2,681 | 520 |
| Inventories | (6,997) | 4,470 |
| Prepaid expenses and other assets | 271 | (914) |
| Accounts payable | (3,549) | 1,160 |
| Account payable - related parties | -- | 1,000 |
| Accrued expenses | (823) | (7,989) |
| Net cash provided by operating activities | 35,836 | 39,938 |
| | | |
| **Investing Activities** | | |
| Purchases of equipment | (452) | (198) |
| Purchases of intangibles | (22,623) | -- |
| Purchases of businesses, net of cash acquired | (30,555) | (425,479) |
| Net cash used for investing activities | (53,630) | (425,677) |
| | | |
| **Financing Activities** | | |
| Proceeds from the issuance of notes | 30,000 | 698,512 |
| Payment of deferred financing costs | (13) | (23,529) |
| Repayment of notes | (7,797) | (344,605) |
| Proceeds from the issuance of equity securities | -- | 58,722 |
| Purchase of shares for treasury | (21) | -- |
| Additional costs associated with initial public offering | (63) | -- |
| Net cash provided by financing activities | 22,106 | 389,100 |
| | | |
| Increase in cash | 4,312 | 3,361 |
| Cash - beginning of period | 5,334 | 3,393 |
| | | |
| Cash - end of period | $ 9,646 | $ 6,754 |
| | | |
| **Supplemental Cash Flow Information** | | |
| Fair value of assets acquired, net of cash acquired | $ 33,909 | $ 655,537 |
| Fair value of liabilities assumed | (3,354) | (229,966) |
| Purchase price funded with non-cash contributions | -- | (92) |
| Cash paid to purchase businesses | $ 30,555 | $ 425,479 |
| | | |
| Interest paid | $ 28,206 | $ 24,359 |
| Income taxes paid | $ 1,335 | $ 2,427 |

*See accompanying notes.*

## 1. Business and Basis of Presentation

***Nature of Business***

Prestige Brands International, LLC, (“Prestige International” or the “Company”) is an indirect wholly owned subsidiary of Prestige Brands Holdings, Inc. (“Prestige Holdings”) and the indirect parent company of Prestige Brands, Inc., the issuer of the 9.25% senior subordinated notes due 2012 (“Senior Notes”) and the borrower under the senior credit facility consisting of a Revolving Credit Facility, Tranche B Term Loan Facility and a Tranche C Term Loan Facility (together the “Senior Credit Facility”). Prestige International is a holding company with no assets or operations and is also the parent guarantor of the Senior Notes and Senior Credit Facility. Prestige Holdings and its subsidiaries are engaged in the marketing, sales and distribution of over-the-counter drug, personal care and household cleaning brands to mass merchandisers, drug stores, supermarkets and club stores primarily in the United States.

***Basis of Presentation***

The unaudited consolidated financial statements presented herein have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the financial statements include all adjustments, consisting only of normal recurring adjustments that are considered necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the interim periods. Operating results for the three and nine month periods ended December 31, 2005 are not necessarily indicative of results that may be expected for the year ending March 31, 2006. This financial information should be read in conjunction with the Company’s financial statements and notes thereto included in Amendment No. 2 to the Company’s Annual Report on Form 10-K/A for the year ended March 31, 2005.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company’s knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of the Company’s cash is held by one bank located in Wyoming. The Company does not believe that, as a result of this concentration, it is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

***Accounts Receivable***

The Company extends non-interest bearing trade credit to its customers in the ordinary course of business. To minimize credit risk, ongoing evaluations of customers’ financial condition are performed; however, collateral is not required. The Company maintains an allowance for doubtful accounts based on its historical collections experience, as well as its evaluation of current and expected conditions and trends affecting its customers.

***Sales Returns***
The Company must make estimates of potential future product returns related to current period sales. In order to do this, the Company analyzes historical returns, current economic trends, changes in customer demand and acceptance of the Company's products when evaluating the adequacy of the Company's allowance for returns in any accounting period. If actual returns are greater than those estimated by management, the Company's financial statements in future periods may be adversely affected.

***Inventories***
Inventories are stated at the lower of cost or fair value, where cost is determined by using the first-in, first-out method. The Company provides an allowance for slow moving and obsolete inventory.

***Property and Equipment***
Property and equipment are stated at cost and are depreciated using the straight-line method based on the following estimated useful lives:

| | **Years** |
|---|---|
| Machinery | 5 |
| Computer equipment | 3 |
| Furniture and fixtures | 7 |

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the consolidated statement of operations.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

***Goodwill***
The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in acquisition transactions is classified as goodwill. In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("Statement") No. 142, "Goodwill and Other Intangible Assets," the Company does not amortize goodwill, but performs impairment tests of the carrying value at least annually.

***Intangible Assets***
Intangible assets are stated at cost less accumulated amortization. For intangible assets with finite lives, amortization is computed on the straight-line method over estimated useful lives ranging from five to 30 years.

Indefinite lived intangible assets are tested for impairment at least annually, while intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

***Deferred Financing Costs***
The Company has incurred debt issuance costs in connection with its long-term debt. These costs are capitalized as deferred financing costs and amortized using the effective interest method over the term of the related debt.

***Revenue Recognition***
Revenues are recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) there is a fixed or determinable price; (3) the product has been shipped and the customer takes ownership and assumes risk of loss; and (4) collectibility of the resulting receivable is reasonably assured. The Company has determined that the transfer of risk of loss generally occurs when product is received by the customer and, accordingly, recognizes revenue at that time. Provision is made for

estimated customer discounts and returns at the time of sale based on the Company's historical experience.

The Company frequently participates in the promotional programs of its customers, as is customary in this industry. The ultimate cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These programs may include coupons, scan downs, temporary price reductions or other price guarantee vehicles. The Company estimates the cost of such promotional programs at their inception based on historical experience and current market conditions and reduces sales by such estimates. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

***Costs of Sales***
Costs of sales include product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Shipping, warehousing and handling costs were $7.3 million and $5.7 million for the three month periods ended December 31, 2005 and 2004, respectively, and $19.1 million and $16.9 million for the nine month periods ended December 31, 2005 and 2004, respectively.

***Advertising and Promotion Costs***
Advertising and promotion costs are expensed as incurred. Slotting fees associated with products are recognized as a reduction of sales. Under slotting arrangements, the retailers allow the Company's products to be placed on the stores' shelves in exchange for such fees. Direct reimbursements of advertising costs are reflected as a reduction of advertising costs in the period earned.

***Stock-based Compensation***
During the three month period ended September 30, 2005, the Company adopted FASB, Statement No. 123(R), "Share-Based Payment" ("Statement No. 123(R)") with the initial grants of Prestige Brands Holdings' restricted stock and options to purchase common stock to employees and directors in accordance with the provisions of Prestige Brands Holdings' Long-Term Equity Incentive Plan ("the Plan"). Statement No. 123(R) requires the Company to measure the cost of services to be rendered based on the grant-date fair value of the equity award. Compensation expense is to be recognized over the period which an employee is required to provide service in exchange for the award, generally referred to as the requisite service period. The Company recorded non-cash compensation charges of $0.1 million and $0.2 million during the three month and nine month periods ended December 31, 2005, respectively, for such grants.

***Income Taxes***
Income taxes are recorded in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes" ("Statement No. 109"). Pursuant to Statement No. 109, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

***Derivative Instruments***
FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("Statement No. 133"), requires companies to recognize derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

The Company has designated its derivative financial instruments as cash flow hedges because they hedge exposure to variability in expected future cash flows that are attributable to interest rate risk. For these hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of

other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instruments is recorded in results of operations immediately.

***Recently Issued Accounting Standards***

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47") which clarifies guidance provided by Statement No. 143, "Accounting for Asset Retirement Obligations." FIN 47 is effective for the Company no later than March 31, 2006. The adoption of FIN 47 is not expected to have a significant impact on the Company's financial position, results of operations or cash flows.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("Statement No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" ("APB Opinion No. 20") and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." Statement No. 154 requires that voluntary changes in accounting principle be applied retrospectively to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustments be made to the opening balance of retained earnings. APB Opinion No. 20 had required that most voluntary changes in accounting principle be recognized by including in net income the cumulative effect of changing to the new principle. Statement No. 154 is effective for all accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

**2. Acquisition of Dental Concepts, LLC**

On November 8, 2005, the Company completed the acquisition of the ownership interests of Dental Concepts, LLC ("Dental Concepts"), a marketer of therapeutic oral care products sold under "The Doctor's®" brand. The Company expects that The Doctor's® product line will benefit from its business model of outsourcing manufacturing and increasing awareness though targeted marketing and advertising. Additionally, the Company anticipates benefits associated with its ability to leverage certain economies of scale and the elimination of redundant operations. The results from operations of The Doctor's® brand since the acquisition date are included within the Company's financial statements as a component of the over-the-counter segment.

The purchase price of the ownership interests was approximately $30.5 million (net of cash acquired of $0.3), including fees and expenses of the acquisition of $0.5 million. The Company financed the acquisition price through the utilization of its senior revolving credit facility and with cash resources of $30.0 million and $0.5 million, respectively.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The Company has obtained independent valuations of certain tangible and intangible assets; however, the final purchase price will not be determined until all valuations have been completed and all contingencies have been resolved. Consequently, the allocation of the purchase price is subject to refinement. At December 31, 2005, $3.0 million is being held in escrow pending the resolution of the aforementioned contingencies. Future disbursements from escrow will increase the amount recorded in the Company's balance sheet as goodwill.

The fair values assigned to the net assets acquired consist of the following:

| *(In thousands)* | |
|---|---|
| Accounts receivable | $ 2,774 |
| Inventory | 1,852 |
| Prepaid expenses and other assets | 172 |
| Property and equipment | 174 |
| Intangible assets | 22,395 |
| Goodwill | 3,542 |
| Funds in escrow | 3,000 |
| Accounts payable and accrued liabilities | (3,354) |
| | $ 30,555 |

The allocation to intangible assets of $22.4 million relates solely to "The Doctor's ®" brand trademark which the Company estimates to have a useful life of 20 years. At December 31, 2005, goodwill resulting from this transaction was $3.5 million. As discussed above, this recorded amount is subject to change as additional information becomes available; however, it is estimated that such amount will be fully deductible for income tax purposes.

The following table sets forth the unaudited results of the Company's operations on a pro forma basis as if the acquisition of Dental Concepts had been completed on April 1, 2004. It also includes the pro forma results from operations of Vetco, Inc., which was acquired in October 2004, as if the acquisition of Vetco, Inc. had been completed on April 1, 2004. The pro forma financial information is not necessarily indicative of the operating results that the combined entities would have achieved had the acquisition been consummated on April 1, 2004, nor is it necessarily indicative of the operating results that may be expected for the year ending March 31, 2006.

| | **Three Months Ended December 31** | | **Nine Months Ended December 31** | |
|---|---|---|---|---|
| *(In thousands)* | **2005** | **2004** | **2005** | **2004** |
| Revenues | $ 81,475 | $ 76,275 | $ 224,697 | $ 227,274 |
| Income before provision for income taxes | $ 15,057 | $ 14,188 | $ 36,343 | $ 21,393 |
| Net income | $ 9,242 | $ 9,031 | $ 22,168 | $ 13,203 |

## 3. Accounts Receivable

The components of accounts receivable consist of the following (in thousands):

| | **December 31, 2005** | **March 31, 2005** |
|---|---|---|
| Accounts receivable | $ 37,752 | $ 36,985 |
| Other receivables | 1,163 | 835 |
| | 38,915 | 37,820 |
| Less allowances for discounts, returns and uncollectible accounts | (2,904) | (1,902) |
| | $ 36,011 | $ 35,918 |

## 4. Inventories

Inventories consist of the following (in thousands):

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Packaging and raw materials | $ 3,970 | $ 3,587 |
| Finished goods | 29,712 | 21,246 |
| | $ 33,682 | $ 24,833 |

Inventories are shown net of allowances for obsolete and slow moving inventory of $1.6 million and $1.5 million at December 31, 2005 and March 31, 2005, respectively.

## 5. Property and Equipment

Property and equipment consist of the following (in thousands):

| | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Machinery | $ 3,338 | $ 3,099 |
| Computer equipment | 928 | 771 |
| Furniture and fixtures | 303 | 244 |
| Leasehold improvements | 340 | 173 |
| | 4,909 | 4,287 |
| Accumulated depreciation | (3,456) | (1,963) |
| | $ 1,453 | $ 2,324 |

## 6. Goodwill

As discussed in Note 2 , the Company purchased the ownership interests of Dental Concepts in November 2005. The excess of the purchase price over the fair value of the assets acquired and the liabilities assumed has been recorded as goodwill.

A reconciliation of the activity affecting the carrying value of goodwill is as follows:

| | |
|---|---|
| Balance - March 31, 2005 | $ 294,731 |
| Goodwill acquired in connection with the acquisition of Dental Concepts, LLC | 3,542 |
| Balance - December 31, 2005 | $ 298,273 |

## 7. Intangible Assets

On October 28, 2005, the Company completed the acquisition of the "Chore Boy®" brand of cleaning pads and sponges. The purchase price of the Chore Boy® brand of $22.6 million, including direct costs of $0.4 million, has been allocated to indefinite lived intangible assets and a covenant not-to-compete of $22.6 million and $0.04 million, respectively.

Intangible assets consist of the following (in thousands):

| | December 31, 2005 | | | |
|---|---|---|---|---|
| | Gross Amount | Additions | Accumulated Amortization | Net Amount |
| Indefinite lived trademarks | $ 522,346 | $ 22,585 | $ -- | $ 544,931 |
| Amortizable intangible assets | | | | |
| Trademarks | 94,900 | 22,395 | (15,359) | 101,936 |
| Non-compete agreement | 158 | 38 | (42) | 154 |
| | 95,058 | 22,433 | (15,401) | 102,090 |
| | $ 617,404 | $ 45,018 | $ (15,401) | $ 647,021 |

| | March 31, 2005 | | | |
|---|---|---|---|---|
| | Gross Amount | Additions | Accumulated Amortization | Net Amount |
| Indefinite lived trademarks | $ 522,346 | $ -- | $ -- | $ 522,346 |
| Amortizable intangible assets | | | | |
| Trademarks | 94,900 | | (8,775) | 86,125 |
| Non-compete agreement | 158 | | (16) | 142 |
| | 95,058 | -- | (8,791) | 86,267 |
| | $ 617,404 | $ -- | $ (8,791) | $ 608,613 |

At December 31, 2005, intangible assets are expected to be amortized over a period of five to 30 years as follows (in thousands):

| Twelve Months Ending December 31 | |
|---|---|
| 2006 | $ 10,061 |
| 2007 | 10,061 |
| 2008 | 10,061 |
| 2009 | 9,013 |
| 2010 | 8,665 |
| Thereafter | 54,229 |
| | $ 102,090 |

## 8. Long-Term Debt

| Long-term debt consists of the following (in thousands): | December 31, 2005 | March 31, 2005 |
|---|---|---|
| Senior revolving credit facility ("Revolving Credit Facility"), which expires on April 6, 2009, is available for maximum borrowings of up to $60.0 million. The Revolving Credit Facility bears interest at the Company's option at either the prime rate plus a variable margin or LIBOR plus a variable margin. The variable margin ranges from 0.75% to 2.50% and at December 31, 2005, the interest rate on the Revolving Credit Facility was 8.75% per annum. The Company is also required to pay a variable commitment fee on the unused portion of the Revolving Credit Facility. At December 31, 2005, the commitment fee was 0.50% of the unused line. The Revolving Credit Facility is collateralized by substantially all of the Company's assets. | $ 25,000 | $ -- |
| Senior secured term loan facility, ("Tranche B Term Loan Facility") that bears interest at the Company's option at either the prime rate or LIBOR plus a variable margin of 2.25%. At December 31, 2005, the weighted average applicable interest rate on the Tranche B Term Loan Facility was 6.34%. Principal payments of $933 and interest are payable quarterly. In February 2005, the Tranche B Term Loan Facility was amended to increase the amount available thereunder by $200.0 million, all of which is available at December 31, 2005. Current amounts outstanding under the Tranche B Term Loan Facility mature on April 6, 2011, while amounts borrowed pursuant to the amendment will mature on October 6, 2011. The Tranche B Term Loan Facility is collateralized by substantially all of the Company's assets. | 366,563 | 369,360 |
| Senior Subordinated Notes ("Senior Notes") that bear interest at 9.25% which is payable on April 15th and October 15th of each year. The Senior Notes mature on April 15, 2012; however, the Company may redeem some or all of the Senior Notes on or prior to April 15, 2008 at a redemption price equal to 100%, plus a make-whole premium, and on or after April 15, 2008 at redemption prices set forth in the indenture governing the Senior Notes. The Senior Notes are unconditionally guaranteed by Prestige International and its wholly owned subsidiaries (other than the issuer). Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries. | 126,000 | 126,000 |
| | 517,563 | 495,360 |
| Current portion of long-term debt | (3,730) | (3,730) |
| | $ 513,833 | $ 491,630 |

The Revolving Credit Facility and the Tranche B Term Loan Facility (together the "Senior Credit Facility") contain various financial covenants, including provisions that require the Company to maintain certain leverage ratios, interest coverage ratios and fixed charge coverage ratios. Additionally, the Senior Credit Facility contains provisions that restrict the Company from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, changes of control, incurrence of indebtedness, creation of liens and transactions with affiliates. The Company was in compliance with its financial and restrictive covenants under the Senior Credit Facility at December 31, 2005.

Future principal payments required in accordance with the terms of the Senior Credit Facility and the Senior Notes are as follows (in thousands):

| **Twelve Months Ending December 31** | |
|---|---|
| 2006 | $ 3,730 |
| 2007 | 3,730 |
| 2008 | 3,730 |
| 2009 | 28,730 |
| 2010 | 3,730 |
| Thereafter | 473,913 |
| | $ 517,563 |

The Company entered into a 5% interest rate cap agreement with a financial institution to mitigate the impact of changing interest rates. The agreement provides for a notional amount of $20.0 million and terminates in June 2006. The Company also entered into interest rate cap agreements with another financial institution that became effective on August 30, 2005, with a total notional amount of $180.0 million and cap rates ranging from 3.25% to 3.75%. The agreements terminate on May 30, 2006, 2007 and 2008 as to $50.0 million, $80.0 million and $50.0 million, respectively. The Company is accounting for the interest rate cap agreements as cash flow hedges. The fair value of the interest rate cap agreements was $2.9 million at December 31, 2005.

## 9. Members' Equity

In connection with the Prestige Brands Holdings' IPO, the Board of Directors adopted the 2005 Long-Term Equity Incentive Plan ("the Plan"). The Plan provides for grants of stock options, restricted stock, restricted stock units, deferred stock units and other equity-based awards. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan. At December 31, 2005, there were 4.7 million shares available for issuance under the Plan.

Pursuant to the provisions of the Plan, on July 29, 2005, each of the Company's four independent members of the Board of Directors received an award of 6.2 thousand shares of Prestige Brands Holdings' common stock in connection with Company's directors' compensation arrangements. Of such amount, 1.8 thousand shares represent a one-time grant of unrestricted shares, while the remaining 4.4 thousand shares represent restricted shares that vest over a two year period. The benefits, as well as the costs associated with these relationships were contributed to the Company.

On August 4, 2005, Frank Palantoni joined the Company as President and Chief Operating Officer. In connection therewith, the Board of Directors granted Mr. Palantoni 30.9 thousand shares of Prestige Brands Holdings' restricted common stock and options to purchase an additional 61.8 thousand shares of Prestige Brands Holdings' common stock at an exercise price of $12.95 per share. The options vest over a period of five years while the restricted shares will vest contingent upon the attainment of certain performance-based benchmarks. The benefits, as well as the costs associated with these relationships were contributed to the Company.

In September 2005, the Company repurchased 13.0 thousand shares of Prestige Brands Holdings' restricted common stock from former employees pursuant to the provisions of the various employee stock purchase agreements. The average purchase price of the shares was $1.70 per share. The benefits associated with these transactions were contributed to the Company.

In October 2005, the Company's Board of Directors authorized the grant of 156.0 thousand shares of Prestige Brands Holdings' restricted stock with a fair market value of $12.32 per share, the closing price of the Company's common stock on September 30, 2005, to employees. The issuance of such shares is contingent upon the Company's attainment of certain revenue and earnings per share targets. Additionally, in the event that an employee terminates his or her employment with the Company prior to October 1, 2008, the vesting date, the shares will be forfeited. The benefits, as well as the costs associated with these relationships were contributed to the Company.

## 10. Related Party Transactions

The Company had entered in an agreement with an affiliate of GTCR Golder Rauner II, LLC ("GTCR"), a private equity firm and an investor in the Company, whereby the GTCR affiliate was to provide management and advisory services to the Company for an aggregate annual compensation of $4.0 million. The agreement was terminated in February 2005. During the three month and nine month periods ended December 31, 2004, the Company paid the affiliate of GTCR a management fee of $1.0 million and $2.9 million, respectively.

## 11. Income Taxes

Income taxes are recorded in the Company's quarterly financial statements based on the Company's estimated annual effective income tax rate. The effective rates used in the calculation of income taxes were 38.6% and 36.4% for the three month periods ended December 31, 2005 and 2004, respectively. For the nine month periods ended December 31, 2005 and 2004, the effective tax rates were 39.0% and 38.2%, respectively. The increase in the effective tax rate for the three month period ended December 31, 2005 results from the increase in the Company's graduated federal income tax rate from 34% to 35%, due to the formation of the Company in February 2005 and the election to file a consolidated federal income tax return. The difference in the effective tax rates for the nine month periods ended December 31, 2005 and 2004 results primarily from the computation of taxes on a separate company basis during the nine month period ended December 31, 2004.

## 12. Commitments and Contingencies

In June 2003, Dr. Jason Theodosakis filed a lawsuit, Theodosakis v. Walgreens, et al., in Federal District Court in Arizona, alleging that two of the Company's subsidiaries, Medtech Products and Pecos Pharmaceutical, as well as other unrelated parties, infringed the trade dress of two of his published books. Specifically, Dr. Theodosakis published "The Arthritis Cure" and "Maximizing the Arthritis Cure" regarding the use of dietary supplements to treat arthritis patients. Dr. Theodosakis alleged that his books have a distinctive trade dress, or cover layout, design, color and typeface, and those products that the defendants sold under the ARTHx trademarks infringed the books' trade dress and constituted unfair competition and false designation of origin. Additionally, Dr. Theodosakis alleged that the defendants made false endorsements of the products by referencing his books on the product packaging and that the use of his name, books and trade dress invaded his right to publicity. The Company sold the ARTHx trademarks, goodwill and inventory to a third party, Contract Pharmacal Corporation, in March 2003. On January 12, 2005, the court granted the Company's motion for summary judgment and dismissed all claims against Pecos and Medtech. The plaintiff has filed an appeal in the U.S. Court of Appeals which is pending.

On January 3, 2005, the Company was served with process by its former lead counsel in the Theodosakis litigation seeking $679,000 plus interest. The case was filed in the Supreme Court of New York and is styled as Dickstein Shapiro et al v. Medtech Products, Inc. In February 2005, the plaintiffs filed an amended complaint naming the Pecos Pharmaceutical Company as defendant. The Company has answered and filed a counterclaim against Dickstein and also filed a third party complaint against the Lexington Insurance Company, the Company's product liability carrier. The Company believes that if there is any obligation to the Dickstein firm relating to this matter, it is an obligation of Lexington and not the Company.

The Company and certain of its officers and directors are defendants in a consolidated putative securities class action lawsuit filed in the United States District Court for the Southern District of New York (the "Consolidated Action"). The first of the six consolidated cases was filed on August 3, 2005. Plaintiffs purport to represent a class of shareholders of the Company who purchased shares between February 9, 2005 through November 15, 2005. Plaintiffs also name as defendants the underwriters in the Company's initial public offering and a private equity fund that was a selling shareholder in the offering. The district court has appointed a Lead Plaintiff. On December 23, 2005, the Lead Plaintiff filed a Consolidated Class Action Complaint, which asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 and Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934. The Lead Plaintiff generally alleges that the Company issued a series of materially false and misleading statements in connection with its initial public offering and thereafter in regard to the following areas: the accounting issues described in the Company's press release issued on or about November 15, 2005; and the alleged failure to disclose that demand for certain of the Company's products was declining and that the Company was planning to withdraw several products from the market. Plaintiffs seek an unspecified amount of damages. The Company intends to file a motion to dismiss the Consolidated Class Action Complaint on or about February 21, 2006. The Company's management believes the allegations to be unfounded, will vigorously pursue its defenses, and cannot reasonably estimate the potential range of loss, if any.

On September 6, 2005, another putative securities class action lawsuit substantially similar to the initially-filed complaints in the Consolidated Action described above was filed against the same defendants in the Circuit Court of Cook County, Illinois (the "Chicago Action"). In light of the first-filed Consolidated Action, proceedings in the Chicago Action have been stayed until a ruling on defendants' anticipated motions to dismiss the consolidated complaint in the Consolidated Action. The Company's management believes the allegations to be unfounded, will vigorously pursue its defenses, and cannot reasonably estimate the potential range of loss, if any.

The Company is also involved from time to time in routine legal matters and other claims incidental to its business. When it appears probable in management's judgment that the Company will incur monetary damages or other costs in connection with such claims and proceedings, and such costs can be reasonably estimated, liabilities are recorded in the financial statements and charges are recorded against earnings. The Company believes the resolution of such routine matters and other incidental claims, taking into account reserves and insurance, will not have a material adverse effect on its financial condition or results of operation.

**13. Concentrations of Risk**

The Company's sales are concentrated in the areas of over-the-counter pharmaceutical products, personal care products and household cleaning products. The Company sells its products to mass merchandisers, food and drug accounts, and dollar and club stores. During the three and nine month periods ended December 31, 2005, approximately 59.8% and 62.1%, respectively, of the Company's total sales were derived from its four major brands while during the three and nine month periods ended December 31, 2004, approximately 64.7% and 64.6%, respectively, of the Company's total sales were derived from these four brands. During the three and nine month periods ended December 31, 2005, approximately

20.0% and 22.4%, respectively, of the Company's net sales were made to one customer, while during the three and nine month periods ended December 31, 2004, 27.7% and 28.1% of net sales were to this customer. At December 31, 2005, approximately 19.6% of accounts receivable were owed by one customer.

The Company manages product distribution in the continental United States through a main distribution center in St. Louis, Missouri. A serious disruption, such as a flood or fire, to the main distribution center could damage the Company's inventories and could materially impair the Company's ability to distribute its products to customers in a timely manner or at a reasonable cost. The Company could incur significantly higher costs and experience longer lead times associated with the distribution of its products to its customers during the time that it takes the Company to reopen or replace its distribution center. As a result, any such disruption could have a material adverse effect on the Company's sales and profitability.

## 14. Business Segments

Segment information has been prepared in accordance with FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's operating segments are based on its product lines and consist of (i) Over-the-Counter Drugs, (ii) Personal Care and (iii) Household Cleaning. Accordingly, within each reportable segment are operations that have similar economic characteristics, including the nature of their products, production process, type of customer and method of distribution.

There were no inter-segment sales or transfers during the periods ended December 31, 2005 and 2004. The Company evaluates the performance of its product lines and allocates resources to them based primarily on contribution margin. The table below summarizes information about reportable segments (in thousands).

| | Quarter Ended December 31, 2005 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 42,051 | $ 7,007 | $ 30,771 | $ 79,829 |
| Other revenues | -- | -- | 27 | 27 |
| Total revenues | 42,051 | 7,007 | 30,798 | 79,856 |
| Cost of sales | 15,821 | 3,954 | 18,951 | 38,726 |
| Gross profit | 26,230 | 3,053 | 11,847 | 41,130 |
| Advertising and promotion | 4,926 | 724 | 1,735 | 7,385 |
| Contribution margin | $ 21,304 | $ 2,329 | $ 10,112 | 33,745 |
| Other operating expenses | | | | 8,993 |
| Operating income | | | | 24,752 |
| Other income (expense) | | | | (9,526) |
| Provision for income taxes | | | | (5,881) |
| Net income | | | | $ 9,345 |

| | Nine Months Ended December 31, 2005 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 116,199 | $ 21,595 | $ 78,783 | $ 216,577 |
| Other revenues | -- | -- | 77 | 77 |
| Total revenues | 116,199 | 21,595 | 78,860 | 216,654 |
| Cost of sales | 43,044 | 12,307 | 47,873 | 103,224 |
| Gross profit | 73,155 | 9,288 | 30,987 | 113,430 |
| Advertising and promotion | 18,192 | 2,870 | 5,245 | 26,307 |
| Contribution margin | $ 54,963 | $ 6,418 | $ 25,742 | 87,123 |
| Other operating expenses | | | | 23,287 |
| Operating income | | | | 63,836 |
| Other income (expense) | | | | (26,707) |
| Provision for income taxes | | | | (14,481) |
| Net income | | | | $ 22,648 |

| | Quarter Ended December 31, 2004 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 40,964 | $ 7,612 | $ 24,442 | $ 73,018 |
| Other revenues | -- | -- | 25 | 25 |
| Total revenues | 40,964 | 7,612 | 24,467 | 73,043 |
| Cost of sales | 14,545 | 3,681 | 15,015 | 33,241 |
| Gross profit | 26,419 | 3,931 | 9,452 | 39,802 |
| Advertising and promotion | 3,357 | 797 | 1,014 | 5,168 |
| Contribution margin | $ 23,062 | $ 3,134 | $ 8,438 | 34,634 |
| Other operating expenses | | | | 8,295 |
| Operating income | | | | 26,339 |
| Other income (expense) | | | | (11,994) |
| Provision for income taxes | | | | (5,218) |
| Net Income | | | | $ 9,127 |

| | Nine Months Ended December 31, 2004 | | | |
|---|---|---|---|---|
| | Over-the-Counter Drug | Personal Care | Household Cleaning | Consolidated |
| Net sales | $ 113,067 | $ 24,593 | $ 73,970 | $ 211,630 |
| Other revenues | -- | -- | 126 | 126 |
| Total revenues | 113,067 | 24,593 | 74,096 | 211,756 |
| Cost of sales | 44,075 | 12,800 | 47,445 | 104,320 |
| Gross profit | 68,992 | 11,793 | 26,651 | 107,436 |
| Advertising and promotion | 15,709 | 4,213 | 4,480 | 24,402 |
| Contribution margin | $ 53,283 | $ 7,580 | $ 22,171 | 83,034 |
| Other operating expenses | | | | 22,261 |
| Operating income | | | | 60,773 |
| Other income (expense) | | | | (41,444) |
| Provision for income taxes | | | | (7,392) |
| Net income | | | | $ 11,937 |

During the nine month periods ended December 2005 and 2004, 97.9% and 97.7%, respectively, of sales were made to customers in the United States and Canada. No individual geographical area accounted for more than 10% of net sales in any of the periods presented. At December 31, 2005 and 2004, all of the Company’s long-term assets were located in the United States of America and have not been allocated between segments.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prestige Brands Holdings, Inc. ("the Company"), as the indirect holding company of Prestige Brands International, LLC ("Prestige International") does not conduct ongoing business operations. As a result, the financial information for the Company and Prestige International is identical for the purposes of the discussion of operating results in Management's Discussion and Analysis of Financial Condition and Results of Operations. Prestige International is an indirect wholly owned subsidiary of the Company and the parent company of Prestige Brands, Inc., the issuer of our 9.25% senior subordinated notes due 2012 ("Senior Notes") and the borrower under the senior credit facility, consisting of a Revolving Credit Facility, Tranche B Term Loan Facility and a Tranche C Term Loan Facility (together the "Senior Credit Facility"). Prestige International is also the parent guarantor of the obligations.

**General**

We sell well-recognized, brand name over-the-counter drug, household cleaning and personal care products. We operate in niche segments of these categories where we can use the strength of our brands, our established retail distribution network, a low-cost operating model and our experienced management team as a competitive advantage to grow our presence in these categories and, as a result, grow our sales and profits.

We have grown our brand portfolio by acquiring strong and well-recognized brands from larger consumer products and pharmaceutical companies, as well as other brands from smaller private companies. While the brands we have purchased from larger consumer products and pharmaceutical companies have long histories of support and brand development, we believe that at the time we acquired them they were considered "non-core" by their previous owners and did not benefit from the focus of senior level management or strong marketing support. We believe that the brands we have purchased from smaller private companies have been constrained by the limited resources of their prior owners. After acquiring a brand, we seek to increase its sales, market share and distribution in both existing and new channels. We pursue this growth through increased spending on advertising and promotion, new marketing strategies, improved packaging and formulations and innovative new products.

In February 2005, we raised $448.0 million through an initial public offering of 28.0 million shares of common stock. The net proceeds of the offering were $416.8 million after deducting $28.0 million of underwriters' discounts and commissions and $3.2 million of offering expenses. The net proceeds of $416.8 million plus $3.0 million from our revolving credit facility and $8.8 million of cash on hand went to repay $100.0 million of our existing senior indebtedness (plus a repayment premium of $3.0 million and accrued interest of $0.5 million as of February 15, 2005), to redeem $84.0 million in aggregate principal amount of our existing 9.25% senior subordinated notes (plus a redemption premium of $7.8 million and accrued interest of $3.3 million as of March 18, 2005), to repurchase an aggregate of 4,397,950 shares of our common stock held by the GTCR funds and the TCW/Crescent funds for $30.2 million, and to contribute $199.8 million to Prestige International Holdings, LLC, which was used to redeem all of its outstanding senior preferred units and class B preferred units. We did not receive any of the proceeds from the sale of 4.2 million shares by the selling stockholders as a result of the underwriters exercising their over-allotment options.

On October 28, 2005, we completed the acquisition of the "Chore Boy®" brand of cleaning pads and sponges. The purchase price of the Chore Boy® brand of $22.6 million, including direct costs of $0.4 million, has been allocated to indefinite lived intangible assets and a covenant not-to-compete of $22.6 million and $0.04 million, respectively. We purchased the Chore Boy brand with funds generated from operations.

On November 8, 2005, we completed the acquisition of the ownership interests of Dental Concepts, LLC, a marketer of therapeutic oral care products sold under "The Doctor's®" brand. The purchase price of the ownership interests was approximately $30.5 million, including fees and expenses of the acquisition of $0.5 million. We financed the acquisition price through the utilization of our senior revolving credit facility and with cash resources of $30.0 million and $0.5 million, respectively.

We expect that both the Chore Boy and The Doctor's® product lines will benefit from our business model of outsourcing manufacturing and increasing awareness though targeted marketing and advertising. Additionally, we anticipate benefits associated with our ability to leverage certain economies of scale and the elimination of redundant operations.

**Quarterly Period Ended December 31, 2005 compared to the Quarterly Period Ended December 31, 2004**

**Net Sales**

Net sales for the period ended December 31, 2005 were $79.9 million compared to $73.0 million for the comparable period of 2004. This represented an increase of $6.9 million, or 9.3%, from the prior period. The Over-the-Counter Drug segment had net sales of $42.1 million for the period ended December 31, 2005, an increase of $1.1 million, or 2.7%, above net sales of $41.0 million for the period ended December 31, 2004. The Household Cleaning segment had net sales of $30.8 million for the period ended December 31, 2005, an increase of $6.3 million, or 25.9%, above net sales of $24.5 million for the period ended December 31, 2004. The Personal Care segment had net sales of $7.0 million for the period ended December 31, 2005, a decrease of $0.6 million, or 7.9%, below net sales of $7.6 million for the period ended December 31, 2004.

***Over-the-Counter Drug Segment***

Net sales in the Over-the-Counter Drug segment were $42.1 million for the period ended December 31, 2005 versus $41.0 million for the comparable period of 2004. This represented an increase of $1.1 million, or 2.7%, from the prior period. The sales increase is primarily attributed to "The Doctor's®" brand which was acquired with the Dental Concepts acquisition in November 2005. Excluding sales related to The Doctor's brand, net sales for this segment were down 1.6%. Strong sales gains for Little Remedies versus same period last year were offset by declines in the Chloraseptic, Clear eyes and Compound W brands. The gain in Little Remedies is attributed to increased consumer and professional advertising, expanded distribution and new items. The decline in Chloraseptic was a result of temporary supply issues with the relief strips product line. The Clear eyes sales decline is primarily a result of our having fulfilled backorders of the smaller size item during the period ending December 31, 2004. Retail movement for Clear eyes during the period ending December 31, 2004 was up due to the new items and media support. Compound W factory shipments during the 2005 period were down versus the same period last year, but on an improving trend from the two previous periods.

***Personal Care Segment***

Net sales of the Personal Care segment were $7.0 million for the period ended December 31, 2005 versus $7.6 million for the comparable period of 2004. This represented a decrease of $0.6 million, or 7.9%, from the prior period. The sales decrease is a result Denorex brand's continued decline in consumer consumption.

***Household Cleaning Segment***

Net sales of the Household Cleaning segment were $30.8 million for the period ended December 31, 2005 versus $24.5 million for the comparable period of 2004. This represented an increase of $6.3 million, or 25.9%, from the prior period. The sales increase is a result the acquisition of the Chore Boy line of scrubbers and strong factory shipments of Comet and Spic and Span brands. The Chore Boy brand, which was acquired in October 2005, contributed $2.3 million of sales during the period. The increase in Comet sales is attributed to strong retail consumption of powder and sprays and expanded distribution of Comet Cream. The Spic and Span sales increase is a result of expanded distribution.

**Gross Profit**
Gross profit for the period ended December 31, 2005 was $41.1 million compared to $39.8 million for the comparable period of 2004. This represented an increase of $1.3 million, or 3.3%, from the prior period. The increase in gross profit is primarily a result of the increased sales activity. Gross profit as a percent of sales was 51.5% for the period ended December 31, 2005 versus 54.5% for the comparable period of 2004. The decrease in gross profit percentage is a result of higher petroleum costs and changes in product mix. The Household Cleaning segment's sales, which have the lowest gross margin as a percent of sales of all the segments, represented 38.6% of the Company's overall sales during the period versus 33.5% in the same period last year.

***Over-the-Counter Drug Segment***
Gross profit of the Over-the-Counter segment was $26.2 million for the period ended December 31, 2005 versus $26.4 million for the comparable period of 2004. This represented a decrease of $0.2 million, or 0.7%, from the prior period. Gross profit as a percent of sales was 62.4% for the period ended December 31, 2005 versus 64.5% for the comparable period of 2004. The decrease in gross profit percentage is a result of higher petroleum costs and changes in the sales mix.

***Personal Care Segment***
Gross profit of the personal care segment was $3.1 million for the period ended December 31, 2005 versus $4.0 million for the comparable period of 2004. This represented a decrease of $0.9 million, or 22.3%, from the prior period. Gross profit as a percent of sales was 43.6% for the period ended December 31, 2005 versus 51.6% for the comparable period of 2004. The gross profit decrease is due to the sales shortfall, increased costs of goods and higher transportation costs. The increased cost of goods is primarily a result of higher petroleum prices related to the Cutex product line, as well as higher costs associated with the increased "value" size for Denorex which was introduced last fall.

***Household Cleaning Segment***
Gross profit of the Household Cleaning segment was $11.8 million for the period ended December 31, 2005 versus $9.5 million for the comparable period of 2004. This represented an increase of $2.3 million, or 25.3%, from the prior period. The increase in gross profit is primarily a result of the increased sales activity. Gross profit as a percent of sales was 38.5% for the period ended December 31, 2005 versus 38.6% for the comparable period of 2004 as a result of increased transportation costs partially offset by changes in the product mix.

**Contribution Margin**
Contribution margin was $33.7 million for the period ended December 31, 2005 versus $34.6 million for the comparable period of 2004. This represented a decrease of $0.9 million, or 2.6%, from the prior period. The contribution margin decrease is a result of increased sales and gross margin as discussed above offset by a $2.2 million increase in advertising and promotion spending in the period ended December 31, 2005.

***Over-the-Counter Drug Segment***
Contribution margin of the Over-the-Counter drug segment was $21.3 million for the period ended December 31, 2005 versus $23.1 million for the comparable period of 2004. The contribution margin decrease is a result of the gross profit decline as discussed above plus a $1.6 million increase in advertising and promotion spending in the period ended December 31, 2005. Dental Concepts contributed $0.4 million to the increased advertising and promotion expenditures while the balance is a result of increased spending on Chloraseptic, Clear Eyes and Little Remedies during the period ended December 31, 2005.

***Personal Care Segment***

Contribution margin of the personal care segment was $2.3 million for the period ended December 31, 2005 versus $3.1 million for the comparable period of 2004. This represented a decrease of $0.8 million, or 25.7%, from the prior period. The contribution margin decrease is primarily the result of the gross profit decline discussed above, partially offset by a $0.1 million reduction in advertising and promotion spending in the period ended December 31, 2005.

***Household Cleaning Segment***

Contribution margin of the Household Cleaning segment was $10.1 million for the period ended December 31, 2005 versus $8.4 million for the comparable period of 2004. This represented an increase of $1.7 million, or 19.8%, from the prior period. The contribution margin increase is a result of the previously discussed gross profit increase, partially offset by a $0.7 million increase in advertising and promotion spending in the period ended December 31, 2005 related primarily to Comet media spending.

**General and Administrative**

General and administrative expenses were $6.2 million for the period ended December 31, 2005 versus $5.7 million for the comparable period of 2004. The increase is primarily due to accounting and legal fees associated with the special investigation conducted by the Board of Directors and the related restatement of the Company's historical financial results.

**Depreciation and Amortization**

Depreciation and amortization expense was $2.8 million for the period ended December 31, 2005 versus $2.6 million for the comparable period of 2004. The increase was primarily due to amortization of intangible assets related to the Dental Concepts acquisition.

**Interest Expense, net**

Net interest expense was $9.5 million for the period ended December 31, 2005 versus $12.0 million for the comparable period of 2004. This represented a decrease of $2.5 million, or 20.6%, from the prior period. The decrease in interest expense is due to the reduction of indebtedness outstanding, offset by higher interest rates on the remaining indebtedness.

**Income Taxes**

The income tax provision for the period ended December 31, 2005 was $5.9 million, with an effective rate of 38.6%, compared to $5.2 million, with an effective rate of 36.4% for period ended December 31, 2004. The increase in effective tax rate is primarily the result of an increase in the graduated federal income tax rate from 34% to 35%, effective March 31, 2005, due to the formation of the Company in February 2005 and the election to file a consolidated federal income tax return.

**Nine Month Period Ended December 31, 2005 compared to the Nine Month Period Ended December 31, 2004**

**Net Sales**

Net sales for the nine month period ended December 31, 2005 were $216.7 million compared to $211.8 million for the comparable period of 2004. This represented an increase of $4.9 million, or 2.3%, from the prior period. The Over-the-Counter Drug segment had net sales of $116.2 million for the nine month period ended December 31, 2005, an increase of $3.1 million, or 2.8%, above net sales of $113.1 million for the nine month period ended December 31, 2004. The Household Cleaning segment had net sales of $78.9 million for the nine month period ended December 31, 2005, an increase of $4.8 million, or 6.4%, greater than net sales of $74.1 million for the nine month period ended December 31, 2004. The Personal Care segment had net sales of $21.6 million for the nine month period ended December 31, 2005, a decrease of $3.0 million, or 12.2%, below net sales of $24.6 million for the nine month period ended December 31, 2004.

***Over-the-Counter Drug Segment***
Net sales in the Over-the-Counter Drug segment were $116.2 million for the nine month period ended December 31, 2005 versus $113.1 million for the comparable period of 2004. This represented an increase of $3.1 million, or 2.8%, over the prior period. The sales increase resulted from year-over-year sales gains for the Chloraseptic and Clear Eyes brands, the acquisition of Dental Concepts in November 2005, the inclusion of Little Remedies for the entire 2005 fiscal period (Little Remedies was acquired in October 2004; therefore only two months of operations were included in the nine month period ended December 31, 2004.), partially offset by a decline in sales of Compound W, New Skin and Murine. Excluding the impact of acquisitions, net sales for the segment were down 4.9% for the nine month period ended December 31, 2005, versus the same period last year. The Chloraseptic and Clear Eyes gains are a result of continued strong retail consumer consumption during the period. The decline in Compound W is primarily a result of softness in the retail wart remover category. The decline in New Skin is a result of the drop in sales in the retail liquid bandage category. The decline in Murine is a result of decreased consumer consumption and lost distribution.

***Personal Care Segment***
Net sales of the Personal Care segment were $21.6 million for the nine month period ended December 31, 2005 versus $24.6 million for the comparable period of 2004. This represented a decrease of $3.0 million, or 12.2%, from the prior period. The sales decrease is primarily attributable to the Denorex brand’s continued decline in consumer consumption and lower Cutex sales due to softness in the nail polish remover category.

***Household Cleaning Segment***
Net sales of the Household Cleaning segment were $78.9 million for the nine month period ended December 31, 2005 versus $74.1 million for the comparable period of 2004. This represented an increase of $4.8 million, or 6.4%, over the prior period. The sales increase was the result of increased shipments of Comet and Spic and Span and the acquisition of the Chore Boy brand in October 2005, which contributed $2.3 million of the net sales increase. The increase in Comet sales is a result of improved consumer consumption of the powder, price increases on the powder items at the beginning of the fiscal year and increased distribution of Comet Cream. These gains were partially offset by the discontinuance of the Clean & Flush toilet bowl product. The Spic and Span sales increase is primarily due to distribution gains.

**Gross Profit**
Gross profit for the nine month period ended December 31, 2005 was $113.4 million compared to $107.4 million for the comparable period of 2004. This represented an increase of $6.0 million, or 5.6%, over the prior period. The nine month period ended December 31, 2004 included inventory step-up costs associated with the acquisitions of businesses of approximately $5.3 million versus $0.1 million for the nine month period ended December 31, 2005. Excluding costs associated with the inventory step-up in the period ended December 31, 2004, gross profit increased by $0.7, million or 0.7%, for the nine month period ended December 31, 2005. Gross profit as a percent of sales was 52.4% for the nine month period ended December 31, 2005 versus 50.7% for the comparable period of 2004. Excluding the inventory step-up charge, gross profit in the period ended December 31, 2004 was 53.3%. The decrease in gross profit as a percent of sales, excluding inventory step-up charge, is primarily a result of higher petroleum costs and changes in product mix.

***Over-the-Counter Drug Segment***
Gross profit for the Over-the-Counter segment was $73.2 million for the nine month period ended December 31, 2005 versus $69.0 million for the comparable period of 2004. This represented an increase of $4.2 million, or 6.0%, from the prior period. Excluding $2.7 million and $0.1 million of costs associated with the inventory step-ups in the nine month period ended December 31, 2004 and 2005, respectively, gross profit increased by $1.6 million, or 2.0%, for the nine month period ended December 31, 2005. Gross profit as a percent of sales was 63.0% for the nine month period ended December 31, 2005 versus 61.0% for the comparable period of 2004. Excluding the inventory step up charge for the

nine month period ended December 31, 2004, gross profit in the prior period was 63.4%. The decrease in gross profit percentage is a result of higher petroleum costs.

***Personal Care Segment***

Gross profit of the personal care segment was $9.3 million for the nine month period ended December 31, 2005 versus $11.8 million for the comparable period of 2004. This represented a decrease of $2.5 million, or 21.2%, from the prior period. Excluding $0.2 million of costs associated with the inventory step-up in the nine month period ended December 31, 2004, gross profit decreased by $2.7 million, or 22.5%, for the nine month period ended December 31, 2005. Gross profit as a percent of sales was 43.0% for the nine month period ended December 31, 2005 versus 48.0% for the comparable period of 2004. Excluding the inventory step-up charge, gross profit in the period ended December 31, 2004 was 48.8%. The gross profit decrease is due to the sales shortfall, increased costs of goods and higher transportation costs. The increased cost of goods is primarily a result of higher petroleum prices related to the Cutex product line and the higher costs associated with the new Denorex "value size" which was introduced last fall.

***Household Cleaning Segment***

Gross profit of the Household Cleaning segment was $31.0 million for the nine month period ended December 31, 2005 versus $26.7 million for the comparable period of 2004. This represented an increase of $4.3 million, or 16.3%, from the prior period. Excluding $2.4 million of costs associated with the inventory step-up in the nine month period ended December 31, 2004, gross profit increased by $1.9 million, or 6.6%, for the nine month period ended December 31, 2005. The increase in gross profit is a result of the sales increase and a slight improvement in the gross profit as a percent of sales. Gross profit as a percent of sales was 39.3% for the period ended December 31, 2005 versus 36.0% for the comparable period of 2004. Excluding the inventory step-up charge, gross profit in the period ended December 31, 2004 was 39.2%. The gross profit percentage improvement is a result of discontinuance of the lower margin Clean & Flush toilet bowl product and sales of certain obsolete Spic and Span inventory in the nine month period ended December 31, 2004, partially offset by increased distribution costs related to rising fuel costs.

**Contribution Margin**

Contribution margin was $87.1 million for the nine month period ended December 31, 2005 versus $83.0 million for the comparable period of 2004. This represented an increase of $4.1 million, or 4.9%, from the prior period. The contribution margin increase is a result of higher sales and gross margin as discussed above, partially offset by a $1.9 million increase in advertising and promotion spending in the nine month period ended December 31, 2005. Excluding costs associated with the inventory step-up mentioned above, contribution margin decreased by $1.1 million or 1.2% for the nine month period ended December 31, 2005 versus the comparable period of 2004.

***Over-the-Counter Drug Segment***

Contribution margin for the Over-the-Counter drug segment was $55.0 million for the nine month period ended December 31, 2005 versus $53.3 million for the comparable period of 2004. Excluding costs associated with the inventory step-up mentioned above, contribution margin decreased by $0.9 million, or 1.6%, for the nine month period ended December 31, 2005 versus the comparable period of 2004. The contribution margin decrease is a result of the increase in sales and gross profit discussed above, offset by $2.5 million increase in advertising and promotion spending in the nine month period ended December 31, 2005. Advertising and promotion increased during the period as a result of the acquisitions of Little Remedies and The Doctor's brands, as well as increased spending on Clear Eyes and Compound W.

***Personal Care Segment***

Contribution margin for the personal care segment was $6.4 million for the nine month period ended December 31, 2005 versus $7.6 million for the comparable period of 2004. This represented a decrease of $1.2 million, or 15.3%, from the prior period. Excluding costs associated with the inventory step-up mentioned above, contribution margin decreased by $1.4 million. The contribution margin decrease is a result of lower sales and gross margin as discussed above, partially offset by a $1.3 million reduction in

advertising and promotion spending in the nine month period ended December 31, 2005. The reduction in advertising and promotion was primarily a result of a shift in Cutex advertising from television to print media and reduced spending behind Denorex.

***Household Cleaning Segment***

Contribution margin of the Household Cleaning segment was $25.7 million for the nine month period ended December 31, 2005 versus $22.2 million for the comparable period of 2004. This represented an increase of $3.5 million, or 16.1%, from the prior period. Excluding costs associated with the inventory step-up mentioned above, contribution margin increased by $1.1 million or 4.7% for the nine month period ended December 31, 2005 versus the comparable period of 2004. The contribution margin increase is a result of increased sales and gross margin as discussed above, partially offset by increased advertising and promotion spending of $0.8 million, or 17%, during the nine month period ended December 31, 2005. The increased advertising and promotion is primarily related to Comet media spending.

**General and Administrative**

General and administrative expenses were $15.2 million for the nine month period ended December 31, 2005 versus $15.1 million for the comparable period of 2004. Synergies achieved with the integration of the Medtech, Bonita Bay and Spic and Span acquisitions were offset by an increase in costs associated with being a public company, including, Sarbanes-Oxley reporting compliance, regulatory filings and legal fees. Additionally, during the period ended December 31, 2005, the Company incurred legal and accounting fees associated with the special investigation conducted by the Board of Directors and the related restatement of the Company’s historical financial results. The nine month period ended December 31, 2005 includes additional expenses associated with the integration of Little Remedies acquired in the October 2004 Vetco acquisition, and The Doctor’s brand acquired with the Dental Concepts acquisition completed in November 2005.

**Depreciation and Amortization**

Depreciation and amortization expense was $8.1 million for the nine month period ended December 31, 2005 versus $7.1 million for the comparable period of 2004. The increase was due to amortization of intangible assets related to the Vetco and Dental Concepts acquisitions.

**Interest Expense, net**

Net interest expense was $26.7 million for the nine month period ended December 31, 2005 versus $33.9 million for the comparable period of 2004. This represented a decrease of $7.2 million or 21.2% from the prior period. The decrease in interest expense is due to the reduction of indebtedness outstanding, offset by higher interest rates on the remaining indebtedness.

**Loss on Extinguishment of Debt**

Loss on extinguishment of debt was $0 for the nine month period ended December 31, 2005 versus $7.6 million for the comparable period of 2004. The $7.6 million for the nine month period ended December 31, 2004 is related to the write-off of deferred financing costs and debt discounts associated with the borrowings retired in connection with the Bonita Bay acquisition.

**Income Taxes**

The income tax provision for the nine month period ended December 31, 2005 was $14.5 million, with an effective rate of 39.0%, compared to $7.4 million, with an effective rate of 38.2% for the nine month period ended December 31, 2004.

**Liquidity and Capital Resources**

We have historically financed our operations with a combination of internally generated funds and borrowings. In February 2005, we completed an initial public offering that provided the Company with net proceeds of $416.8 million which were used to repay $184.0 million of indebtedness, to repurchase common stock held by the GTCR funds and the TCW/Crescent funds, and to redeem all of the outstanding senior preferred units and class B preferred units held by previous investors. Our principal uses of cash are for operating expenses, debt service, acquisitions, working capital, and capital expenditures.

Net cash provided by operating activities was $35.8 million for period ended December 31, 2005 compared to $39.9 million for comparable period of 2004. The $4.1 million decrease was primarily due to an increase in the aggregate of net income and non-cash items, offset by an increase in the components of working capital during the nine month period ended December 31, 2005. Net income of $22.6 million, adjusted for non-cash items of $21.6 million in 2005, compares to net income of $11.9 million, adjusted for non-cash items of $29.8 million for the period ended December 31, 2004. Non-cash items in 2004 included a $7.6 million loss on debt extinguishment. Working capital increased by $8.4 million for period ended December 31, 2005, primarily due to an increase in inventories of $7.0 million as a result higher than normal inventory levels of Compound W, an increase in accounts payable and accrued expenses of $4.4 million, partially offset by a decrease in accounts receivable of $2.7 million and prepaid expenses of $0.3 million.

Net cash used in investing activities was $53.6 million for period ended December 31, 2005 compared to net cash used of $425.7 million for the comparable period of 2004. The net cash used in investing activities for the December 31, 2005 period was primarily a result of the acquisitions of both Dental Concepts and the Chore Boy brand during the period. The net cash used in investing activities for the period ended December 31, 2004 was primarily for the acquisitions of Bonita Bay in April 2004 and Vetco in October 2004.

Net cash provided by financing activities was $22.1 million for the period ended December 31, 2005 compared to $389.1 million for the period ended December 31, 2004. Net cash provided by financing activities for December 31, 2005 was due to increased indebtedness as a result of $30.0 million of borrowings under the revolving credit facility to fund the Dental Concepts acquisition. The Company paid down $5.0 million of the outstanding revolving credit facility and $2.8 million of mandatory scheduled payments on the senior secured term loan facility during the nine months ended December 31, 2005. In the period ended December 31, 2004, to finance the acquisitions of Bonita Bay and Vetco, the Company borrowed $698.5 million and issued preferred units and common units of $58.7 million. The increase in debt was partially offset by the payment of deferred financing costs of $23.5 million, repayment of the debt incurred in February 2004 at the time of the Medtech/Denorex acquisition, the pay down of the revolving credit facility and scheduled payments on current debt which totaled $344.6 million.

**Capital Resources**

On February 15, 2005, the Company completed an initial public offering of common stock which resulted in net proceeds of $416.8 million. The proceeds were used to repay the $100.0 million outstanding under the Tranche C Term Loan Facility (plus a repayment premium of $3.0 million and accrued interest of $0.5 million as of February 15, 2005), and to redeem $84.0 million in aggregate principal amount of our existing 9.25% Senior Notes (plus a redemption premium of $7.8 million and accrued interest of $3.3 million as of March 18, 2005). Effective upon the completion of the initial public offering, we entered into an amendment to the credit agreement that, among other things, allows us to increase the indebtedness under our Tranche B Term Loan Facility by $200.0 million and allows for an increase in our Revolving Credit Facility up to a maximum of $60.0 million.

As of December 31, 2005, we had an aggregate of $517.6 million of outstanding indebtedness, which consisted of (i) an aggregate of $366.6 million of borrowings under the Tranche B Term Loan Facility, (ii) $126.0 million of 9.25% Senior Notes due 2012, and (iii) $25.0 million under the revolving credit

facility. We had $35.0 million of borrowing capacity under the Revolving Credit Facility available at such time.

All loans under the Senior Credit Facility bear interest at floating rates, which can be either (i) based on the prime rate, or (ii) LIBOR rate, plus an applicable margin. As of December 31, 2005, an aggregate of $366.6 million was outstanding under the term loans at a weighted average interest rate of 6.3%.

On June 30, 2004, we paid $52 thousand for a 5% interest rate cap agreement with a notional amount of $20.0 million. The interest rate cap terminates in June 2006. On March 7, 2005, we paid $2.3 million for interest rate cap agreements that became effective August 30, 2005, with a total notional amount of $180.0 million and LIBOR cap rates ranging from 3.25% to 3.75%. The interest rate cap agreements terminate on May 30, 2006, 2007 and 2008 as to $50.0 million, $80.0 million and $50.0 million, respectively. The fair value of the interest rate cap agreements was $2.9 million at December 31, 2005.

The Tranche B Term Loan Facility matures in April 2011. We must make quarterly amortization payments on the term loan facility equal to 0.25% of the initial principal amount of the term loan. The Revolving Credit Facility matures and the commitments relating to the Revolving Credit Facility terminate in April 2009. The obligations under the Senior Credit Facility are guaranteed on a senior basis by Prestige International and all of its domestic subsidiaries, other than the issuer (Prestige Brands, Inc.), and are collateralized by substantially all of our assets.

The Senior Credit Facility contains various financial covenants, including financial covenants that require us to maintain certain leverage ratios, interest coverage ratios and fixed charge coverage ratios, as well as covenants restricting us from undertaking specified corporate actions, including asset dispositions, acquisitions, payment of dividends and other specified payments, changes of control, incurrence of indebtedness, creation of liens, making loans and investments and transactions with affiliates. Our Senior Notes require that adjusted EBITDA (as defined in the indenture governing such notes) be used as the basis for calculating our leverage and interest coverage ratios. We were in compliance with our financial and restrictive covenants under the credit facility at December 31, 2005.

Our principal sources of funds are anticipated to be cash flows from operating activities and available borrowings under the Revolving Credit Facility and Tranche B Term Loan Facility. We believe that these funds will provide us with sufficient liquidity and capital resources for us to meet our current and future financial obligations, as well as to provide funds for working capital, capital expenditures and other needs for at least the next 12 months. We regularly review acquisition opportunities and other potential strategic transactions, which may require additional debt or equity financing.

**Commitments**

As of December 31, 2005, we had ongoing commitments under various contractual and commercial obligations as follows:

| Contractual Obligations | Total | Less than 1 Year | 2 to 3 Years | 4 to 5 Years | After 5 Years |
|---|---|---|---|---|---|
| | (in millions) | | | | |
| Long-term debt | $ 517.6 | $ 3.7 | $ 7.5 | $ 32.5 | $ 473.9 |
| Interest on long-term debt (1) | 243.7 | 36.3 | 69.7 | 68.8 | 68.9 |
| Operating leases | 1.4 | 0.5 | 0.8 | 0.1 | -- |
| Total Contractual Obligations | $ 762.7 | $ 40.5 | $ 78.0 | $ 101.4 | $ 542.8 |

(1) Represents the estimated interest obligations on the outstanding balances of the Revolving Credit Facility, Tranche B Term Loan Facility and Senior Notes, together, assuming scheduled principal payments (based on the terms of the loan agreements) were made and assuming a weighted average interest rate of 7.16%. Estimated interest obligations would be different under different assumptions regarding interest rates or timing of principal payments. If interest rates on borrowings with variable rates increased by 1%, interest expense would increase approximately $3.9 million, in the first year. However, given the protection afforded by the interest rate cap agreements, the impact of a one percentage point increase would be limited to $2.0 million.

## Critical Accounting Policies and Estimates

The significant accounting policies are described in the notes of the unaudited financial statements included elsewhere in this document. While all significant accounting policies are important to our consolidated financial statements, some of these policies may be viewed as being critical. Such policies are those that are both most important to the portrayal of our financial condition and require our most difficult, subjective and complex estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent assets and liabilities. These estimates are based upon our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. The most critical accounting policies are as follows:

***Allowance for doubtful accounts and the allowance for obsolete and damaged inventory***

In the ordinary course of business, we grant non-interest bearing trade credit to our customers on normal credit terms. To reduce our credit risk, we perform ongoing credit evaluations of our customers' financial condition. In addition, we maintain an allowance for doubtful accounts receivable based upon our historical collection experience and expected collectibility of our accounts receivable. If uncollectible account balances exceed our estimates, our financial statements would be adversely affected.

We write down our inventory for estimated obsolescence or damage equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

***Valuation of long-lived and intangible assets and goodwill***

Pursuant to FASB Statement No. 141, "Business Combinations" ("Statement No. 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("Statement No. 142") goodwill and indefinite-lived intangible assets are no longer amortized, but must be tested for impairment at least annually. Intangible assets with finite lives are amortized over their respective estimated useful lives. We are required to make judgments regarding the value assigned to acquired intangible assets and their respective useful lives. Our determination of the values and lives was based on our analysis of the requirements of Statements No. 141 and No. 142, as well as an independent evaluation of such assets. We have determined that a significant portion of our trademarks have indefinite lives. If we determine that any of these assets has a finite life, we would amortize the value of that asset over the remainder of such finite life. Intangible assets with finite lives and other long-lived assets must also be evaluated for impairment when management believes that the carrying value of the asset will not be recovered. Adverse changes in market conditions or poor operating results could result in a future impairment charge. There were no impairments of goodwill, indefinite-lived intangible assets or other long-lived assets during the period ended December 31, 2005. Goodwill and other intangible assets amounted to $945.3 million at December 31, 2005.

***Revenue Recognition***

We comply with the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin 104 "Revenue Recognition," which states that revenue should be recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. The Company has determined that the transfer of risk of loss generally occurs when product is received by the customer and, accordingly, recognizes revenue at that time.

We must make estimates of potential future product returns related to current period sales. In order to do this, we analyze historical returns, current economic trends and changes in customer demand and acceptance of our products when evaluating the adequacy of our allowance for returns in any accounting period. If actual returns are greater than those estimated by management, our financial statements in future periods would be adversely affected.

The Company frequently participates in the promotional programs of its customers, as is customary in this industry. The ultimate cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These programs may include coupons, scan downs, temporary price reductions or other price guarantee vehicles. The Company estimates the cost of such promotional programs at their inception based on historical experience and current market conditions and reduces sales by such estimates. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

**Recent Accounting Pronouncements**

In March 2005, the FASB issued FIN 47 which clarifies guidance provided by Statement No. 143, “Accounting for Asset Retirement Obligations.” FIN 47 is effective for the Company no later than March 31, 2006. The adoption of FIN 47 is not expected to have a significant impact on our financial position, results of operations or cash flows.

In May 2005, the FASB issued Statement No. 154 which replaces APB Opinion No. 20 and FASB Statement No. 3, “Reporting Accounting Changes in Interim Financial Statements.” Statement No. 154 requires that voluntary changes in accounting principle be applied retrospectively to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings. APB Opinion No. 20 had required that most voluntary changes in accounting principle be recognized by including in net income the cumulative effect of changing to the new principle. Statement No. 154 is effective for all accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements or financing activities with special-purpose entities.

**Inflation**

Inflationary factors such as increases in the costs of raw materials, packaging materials, purchased product and overhead may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations for the periods referred to above, a high rate of inflation in the future may have an adverse effect on us and our operating results. The recent increase in crude oil prices has had an adverse impact on transportation costs, as well as, certain petroleum based raw materials and packaging material. Although the Company takes efforts to minimize the impact of inflationary factors, including raising prices to our customers, a high rate of pricing volatility associated with crude oil supplies may continue to have an adverse effect on our operating results.

**Seasonality**

The first quarter of our fiscal year typically has the lowest level of revenue due to the seasonal nature of certain of our brands relative to the summer and winter months. In addition, the first quarter is the least profitable quarter due the increased advertising and promotional spending to support those brands with a summer selling season, such as Compound W, Cutex and New Skin. The Company’s advertising and promotional campaign in the third quarter influence sales in the fourth quarter winter months. Additionally, the fourth quarter has the lowest level of advertising and promotional spending as a percent of revenue.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”), including information within Management’s Discussion and Analysis of Financial Condition and Results of Operations. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention to obtaining the benefits of the “safe harbor” provisions of the Act. Although we believe that our expectations are based

on reasonable assumptions, actual results may differ materially from those in the forward looking statement.

These forward-looking statements may or may not contain the words “believe,” “anticipate,” “expect,” “estimate,” “project,” “will be,” “will continue,” “will likely result,” or other similar words and phrases. Forward-looking statements and our plans and expectations are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated, including, but not limited to the following:

- general economic conditions affecting our products and their respective markets,
- the high level of competition in our industry and markets,
- our dependence on a limited number of customers for a large portion of our sales,
- disruptions in our distribution center,
- acquisitions or other strategic transactions diverting managerial resources, or incurrence of additional liabilities or integration problems associated with such transactions,
- changing consumer trends, pricing pressures which may cause us to lower our prices,
- increases in supplier prices,
- changes in our senior management team,
- our ability to protect our intellectual property rights,
- our dependency on the reputation of our brand names,
- shortages of supply of sourced goods or interruptions in the manufacturing of our products,
- our level of debt, and ability to service our debt,
- our ability to obtain additional financing, and
- the restrictions imposed by our senior credit facility and the indenture on our operations.

Forward-looking statements speak only as of the date of this quarterly report on Form 10-Q. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-Q, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements included in this Form 10-Q or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in interest rates because our senior credit facility is variable rate debt. Interest rate changes, therefore, generally do not affect the market value of such debt, but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. At December 31, 2005, we had variable rate debt of approximately $366.6 million related to our Tranche B Term Loan and $25.0 million related to our Revolving Credit Facility. Holding other variables constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have an adverse impact on pre-tax earnings and cash flows for the next year of approximately $3.9 million.

However, on June 30, 2004, we paid $52 thousand for a 5% interest rate cap agreement with a notional amount of $20.0 million that terminates in June 2006. Additionally, on March 7, 2005 we paid $2.3 million for

interest rate cap agreements that became effective August 30, 2005, with a total notional amount of $180.0 million and LIBOR cap rates ranging from 3.25% to 3.75%. These interest rate cap agreements terminate on May 30, 2006, 2007 and 2008 as to $50.0 million, $80.0 million and $50.0 million, respectively. Given the protection afforded by the interest rate cap agreements, the impact on pre-tax earnings and cash flows during the next year of a one percentage point increase in interest rates would be limited to $2.0 million. The fair value of the interest rate cap agreements was $2.9 million at December 31, 2005.

## ITEM 4. CONTROLS AND PROCEDURES

***Disclosure Controls and Procedures.***

The Company maintains disclosure controls and procedures that are designed to ensure that information relating to the Company and its consolidated subsidiaries required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported in a timely manner in accordance with the requirements of the Exchange Act, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of these disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of December 31, 2005. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer each concluded that the Company's disclosure controls and procedures were effective as of December 31, 2005.

***Changes in Internal Control Over Financial Reporting.***

During the quarter ended December 31, 2005, the Company implemented controls to remediate the material weaknesses in its internal control over financial reporting that arose from the Company's inappropriate application of the requirements of SAB No. 104 with respect to revenue recognition, its failure classify promotions and allowances in accordance with the requirements of EITF 01-09, its failure to ensure that adjustments to deferred income taxes for increases in graduated federal income tax rates were timely recognized in the Company's financial statements and its inaccurate computation of earnings per share, all of which were reported in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005, filed with the SEC on November 29, 2005. More specifically the Company:

- Appointed a Corporate Controller who reports to the Company's Chief Financial Officer.

- Engaged an independent tax consultant, who reports directly to the Corporate Controller, to provide guidance with regard to the determination of corporate tax obligations.

- Implemented procedures and controls (including ongoing training) to ensure that assumptions and guidelines relative to shipments to customers are properly monitored and analyzed, and to ensure that revenue is recorded after risk of loss has passed to the customer in accordance with the requirements of SAB No. 104.

- Implemented procedures and controls (including ongoing training) to ensure that the pricing component of promotions and allowances is properly identified, analyzed and recorded as a reduction of revenues in accordance with the requirements of EITF 01-09.

Management is not required to report on the assessment of its internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 until it files its Annual Report on Form 10-K for the fiscal year ended March 31, 2006. Although it expects its internal control over financial reporting

to be effective at that time, if it fails to remediate any condition constituting a material weakness on or before March 31, 2006, the presence of a material weakness at that time would cause management to conclude that its internal controls over financial reporting are ineffective and would cause its external auditors to issue an adverse opinion on the effectiveness of such internal controls.

There have been no other changes in the Company's internal control over financial reporting that occurred during the Company's third fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In June 2003, Dr. Jason Theodosakis filed a lawsuit, Theodosakis v. Walgreens, et al., in Federal District Court in Arizona, alleging that two of the Company’s subsidiaries, Medtech Products and Pecos Pharmaceutical, as well as other unrelated parties, infringed the trade dress of two of his published books. Specifically, Dr. Theodosakis published “The Arthritis Cure” and “Maximizing the Arthritis Cure” regarding the use of dietary supplements to treat arthritis patients. Dr. Theodosakis alleged that his books have a distinctive trade dress, or cover layout, design, color and typeface, and those products that the defendants sold under the ARTHx trademarks infringed the books’ trade dress and constituted unfair competition and false designation of origin. Additionally, Dr. Theodosakis alleged that the defendants made false endorsements of the products by referencing his books on the product packaging and that the use of his name, books and trade dress invaded his right to publicity. The Company sold the ARTHx trademarks, goodwill and inventory to a third party, Contract Pharmacal Corporation, in March 2003. On January 12, 2005, the court granted the Company’s motion for summary judgment and dismissed all claims against Pecos and Medtech. The plaintiff has filed an appeal in the U.S. Court of Appeals which is pending.

On January 3, 2005, the Company was served with process by its former lead counsel in the Theodosakis litigation seeking $679,000 plus interest. The case was filed in the Supreme Court of New York and is styled as Dickstein Shapiro et al v. Medtech Products, Inc. In February 2005, the plaintiffs filed an amended complaint naming the Pecos Pharmaceutical Company as defendant. The Company has answered and filed a counterclaim against Dickstein and also filed a third party complaint against the Lexington Insurance Company, the Company’s product liability carrier. The Company believes that if there is any obligation to the Dickstein firm relating to this matter, it is an obligation of Lexington and not the Company.

The Company and certain of its officers and directors are defendants in a consolidated putative securities class action lawsuit filed in the United States District Court for the Southern District of New York (the “Consolidated Action”). The first of the six consolidated cases was filed on August 3, 2005. Plaintiffs purport to represent a class of shareholders of the Company who purchased shares between February 9, 2005 through November 15, 2005. Plaintiffs also name as defendants the underwriters in the Company’s initial public offering and a private equity fund that was a selling shareholder in the offering. The district court has appointed a Lead Plaintiff. On December 23, 2005, the Lead Plaintiff filed a Consolidated Class Action Complaint, which asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 and Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934. The Lead Plaintiff generally alleges that the Company issued a series of materially false and misleading statements in connection with its initial public offering and thereafter in regard to the following areas: the accounting issues described in the Company’s press release issued on or about November 15, 2005; and the alleged failure to disclose that demand for certain of the Company’s products was declining and that the Company was planning to withdraw several products from the market. Plaintiffs seek an unspecified amount of damages. The Company intends to file a motion to dismiss the Consolidated Class Action Complaint on or about February 21, 2006. The Company’s management believes the allegations to be

unfounded, will vigorously pursue its defenses, and cannot reasonably estimate the potential range of loss, if any.

On September 6, 2005, another putative securities class action lawsuit substantially similar to the initially-filed complaints in the Consolidated Action described above was filed against the same defendants in the Circuit Court of Cook County, Illinois (the "Chicago Action"). In light of the first-filed Consolidated Action, proceedings in the Chicago Action have been stayed until a ruling on defendants' anticipated motions to dismiss the consolidated complaint in the Consolidated Action. The Company's management believes the allegations to be unfounded, will vigorously pursue its defenses, and cannot reasonably estimate the potential range of loss, if any.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There were no equity securities sold by the Company during the period covered by this Quarterly Report on Form 10-Q that were not registered under the Securities Act of 1933, as amended.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

See Exhibit Index immediately following signature page.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Dated: February 14, 2006

**PRESTIGE BRANDS HOLDINGS, INC.**
Registrant

By: /s/ PETER J. ANDERSON
Name: Peter J. Anderson
Title: Chief Financial Officer

Dated: February 14, 2006

**PRESTIGE BRANDS INTERNATIONAL, LLC**
Registrant

By: /s/ PETER J. ANDERSON
Name: Peter J. Anderson
Title: Chief Financial Officer

**Exhibit Index**

| | |
|---|---|
| 10.1 | Unit Purchase Agreement among Prestige Brands Holdings, Inc. and Dental Concepts, LLC, Richard Gaccione, Combined Consultants DBPT Gordon Wade, Douglas A.P. Hamilton, Islandia L.P., George O'Neill, Abby O'Neill, Michael Porter, Marc Cole and Michael Lesser, dated November 9, 2005 |
| 31.1 | Rule 13a-14(a)/ 15d-14(a) Certification, executed by Peter C. Mann, Chairman, President and Chief Executive Officer of Prestige Brands Holdings, Inc. |
| 31.2 | Rule 13a-14(a)/ 15d-14(a) Certification, executed by Peter J. Anderson, Chief Financial Officer of Prestige Brands Holdings, Inc. |
| 31.3 | Rule 13a-14(a)/ 15d-14(a) Certification, executed by Peter C. Mann, Manager, President and Chief Executive Officer of Prestige Brands International, LLC. |
| 31.4 | Rule 13a-14(a)/ 15d-14(a) Certification, executed by Peter J. Anderson, Chief Financial Officer of Prestige Brands International, LLC. |
| 32.1 | Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code 302 (18 U.S.C. 1350), executed by Peter C. Mann, Chairman, President and Chief Executive Officer of Prestige Brands Holdings, Inc. |
| 32.2 | Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code 302 (18 U.S.C. 1350) executed by Peter J. Anderson, Chief Financial Officer of Prestige Brands Holdings, Inc. |
| 32.3 | Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code 302 (18 U.S.C. 1350), executed by Peter C. Mann, Manager, President and Chief Executive Officer of Prestige Brands International, LLC. |
| 32.4 | Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code 302 (18 U.S.C. 1350) executed by Peter J. Anderson, Chief Financial Officer of Prestige Brands International, LLC. |

**Exhibit 31.1**

**CERTIFICATION**

I, Peter C. Mann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prestige Brands Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2006

**/s/ Peter C. Mann**

Peter C. Mann
Chairman, President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Peter J. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prestige Brands Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2006

**/s/ Peter J. Anderson**
Peter J. Anderson
Chief Financial Officer

**Exhibit 31.3**

# CERTIFICATION

I, Peter C. Mann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prestige Brands International, LLC;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2006

**/s/ Peter C. Mann**

Peter C. Mann
Manager, President and Chief Executive Officer

**Exhibit 31.4**

**CERTIFICATION**

I, Peter J. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prestige Brands International, LLC;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2006

**/s/ Peter J. Anderson**

Peter J. Anderson
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter C. Mann, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this quarterly report of Prestige Brands Holdings, Inc. on Form 10-Q for the period ended December 31, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable, and that information contained in such quarterly report fairly presents in all material respects the financial condition and results of operations of Prestige Brands Holdings, Inc.

**/s/ Peter C. Mann**

Name: Peter C. Mann
Title: Chairman, President and Chief Executive Officer
Date: February 14, 2006

**EXHIBIT 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter J. Anderson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this quarterly report of Prestige Brands Holdings, Inc. on Form 10-Q for the period ended December 31, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable, and that information contained in such quarterly report fairly presents in all material respects the financial condition and results of operations of Prestige Brands Holdings, Inc.

**/s/ Peter J. Anderson**

Name: Peter J. Anderson
Title: Chief Financial Officer
Date: February 14, 2006

**EXHIBIT 32.3**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter C. Mann, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this quarterly report of Prestige Brands International, LLC on Form 10-Q for the period ended December 31, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable, and that information contained in such quarterly report fairly presents in all material respects the financial condition and results of operations of Prestige Brands International, LLC.

**/s/ Peter C. Mann**

Name: Peter C. Mann
Title: Manager, President and Chief Executive Officer
Date: February 14, 2006

**EXHIBIT 32.4**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter J. Anderson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this quarterly report of Prestige Brands International, LLC on Form 10-Q for the period ended December 31, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable, and that information contained in such quarterly report fairly presents in all material respects the financial condition and results of operations of Prestige Brands International, LLC.

**/s/ Peter J. Anderson**

Name: Peter J. Anderson
Title: Chief Financial Officer
Date: February 14, 2006

**UNIT PURCHASE AGREEMENT**

AMONG

PRESTIGE BRANDS HOLDINGS, INC.

AND

DENTAL CONCEPTS, LLC,

RICHARD GACCIONE,

COMBINED CONSULTANTS DBPT GORDON WADE,

DOUGLAS A.P. HAMILTON, ISLANDIA L.P., GEORGE O’NEILL,

ABBY O’NEILL, MICHAEL PORTER, MARC COLE AND MICHAEL LESSER

DATED NOVEMBER 9, 2005

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**UNIT PURCHASE AGREEMENT**

This Unit Purchase Agreement (this "Agreement") is made as of November 9, 2005, by and between Prestige Brands Holdings, Inc., a Delaware corporation ("Buyer"), and each of Dental Concepts, LLC, a Delaware limited liability company (the "Company"), Richard Gaccione, Combined Consultants DBPT Gordon Wade, Douglas A.P. Hamilton, Islandia L.P., George O'Neill, Abby O'Neill, Michael Porter, Marc Cole and Michael Lesser (collectively, "Sellers").

**RECITALS**

Sellers are all of the members of the Company. Sellers desire to sell, and Buyer desires to purchase, all of the issued and outstanding membership interests (the "Securities") of the Company from the Sellers for the consideration and on the terms set forth in this Agreement.

**AGREEMENT**

The parties, intending to be legally bound, agree as follows:

## 1. DEFINITIONS

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

Accounts Payable - as defined in Section 3.9.

Accounts Receivable - as defined in Section 3.9.

Actual Cash - the amount of Cash of the Company as of November 8, 2005 reflected on the Closing Balance Sheet, as finally agreed to by the parties or determined by the Independent Auditor under Section 2.8.

Actual Indebtedness - the amount of Indebtedness of the Company as of November 8, 2005 reflected on the Closing Balance Sheet, as finally agreed to by the parties or determined by the Independent Auditor under Section 2.8.

Actual Net Working Capital - the amount of Net Working Capital of the Company as of November 8, 2005 as reflected on the Closing Balance Sheet, as finally agreed to by the parties or determined by the Independent Auditor under Section 2.8.

Additional Gross-Up Amount - as defined in Section 2.7(e).

Additional Payments - as defined in Section 3.27.

Affiliate - with respect to any Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

Alternate Procedure - as defined in Section 7.8.

Applicable Contract - any Contract to which the Company is a party.

Asserted Liability - as defined in Section 5.2.

Bank - Atlantic Bank of New York.

Basket - as defined in Section 5.1(a).

Benefit Plan - any plan, agreement, arrangement or commitment (whether provided by insurance, self-insurance or otherwise) with respect to which the Company has, had, or could reasonably be expected to have, any liability, that is an employment, consulting or deferred compensation agreement; or an executive compensation, incentive, bonus, employee pension, profit-sharing, savings, retirement, stock option, stock purchase, or severance pay plan; or a life, health, post-retirement benefit, disability or accident plan; or a holiday, vacation, leave of absence, Christmas or other bonus practice; or expense reimbursement, automobile or other transportation allowance; or other employee benefit plan, agreement, arrangement or commitment, including, without limitation, any "employee benefit plan," as defined in section 3(3) of ERISA.

Breach - a "Breach" of a representation, warranty, covenant, obligation, or other provision of this Agreement, or any instrument delivered pursuant to this Agreement, will be deemed to have occurred if there is any inaccuracy in or breach of, or any failure to perform or comply with, in any respect, such representation, warranty, covenant, obligation or other provision.

Buyer - as defined in the first paragraph of this Agreement.

Buyer Indemnified Parties - as defined in Section 5.1(a).

Cash - means all cash and cash related equivalents of the Company.

Claims Notice - as defined in Section 5.2.

Ceiling - as defined in Section 5.1(a).

Closing - as defined in Section 2.3.

Closing Balance Sheet - as defined in Section 2.8(a).

Closing Date - the date and time as of which the Closing actually takes place.

Collateral Source - as defined in Section 5.6.

Company - as defined in the Recitals of this Agreement.

Competing Business - as defined in Section 3.26(b).

Consent - any approval, consent, ratification, waiver, or other authorization from any Person other than a Governmental Body.

Contemplated Transactions - all of the transactions contemplated by this Agreement, including:

(a) the sale of the Securities by Sellers to Buyer;

(b) the execution and delivery of the Transaction Documents; and

(c) the performance by Buyer and Sellers of their respective covenants and obligations under this Agreement.

Contract - any agreement, contract, obligation, promise, or undertaking (whether written or oral) that is legally binding.

Damages - as defined in Section 5.1(a).

Designated Current Assets - the following current assets reflected on the Company's financial statements: "net accounts receivables," "inventory," and "other current assets."

Designated Current Liabilities - the following current liabilities reflected on the Company's financial statements: "accounts payable trade," "accrued expenses," "notes payable premium financing," and "other current liabilities."

Disclosure Letter - the disclosure letter delivered by Sellers to Buyer concurrently with the execution and delivery of this Agreement.

Employee Pension Benefit Plan - as defined in Section 3.15(a).

Employee Welfare Benefit Plan - as defined in Section 3.15(a).

Encumbrance - any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal, or restriction of any kind.

Environment - soil, land surface or subsurface strata, surface waters (including navigable waters, streams, ponds, drainage basins, and wetlands), groundwaters, ambient air (including indoor air) and plant and animal life.

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Environmental, Health, And Safety Liabilities - any cost, damages, expense, liability or legal obligation arising from or under Environmental Law or Occupational Safety and Health Law and consisting of:

(a) fines, penalties, judgments, awards, settlements, orders, legal or administrative proceedings, notices, requests for information, damages, losses, claims, demands and response, investigative, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(b) responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions required by applicable Environmental Law or Occupational Safety and Health Law ("Cleanup"), to the extent such Cleanup has been required or requested, or such responsibility has been noticed, by any Governmental Body or third party, and for any natural resource damages;

(c) any other compliance, corrective, investigative, or remedial measures required under Environmental Law or Occupational Safety and Health Law; or

(d) the presence of contamination on, under or above, or that has migrated onto any property adjacent to, any property currently or formerly owned by Sellers or the Company for which Cleanup is required.

The terms "removal," "remedial," and "response action," include the types of activities covered by the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA").

Environmental Law - any applicable Legal Requirement that relates to (i) pollution, contamination, Cleanup or protection of the Environment; (ii) the manufacture, process, distribution, use, treatment, storage, disposal, transport, or handling of Hazardous Materials or (iii) any release, discharge, disposal or threatened release of Hazardous Materials.

ERISA - the Employee Retirement Income Security Act of 1974 or any successor law, and regulations issued pursuant to that Act or any successor law.

Estimated Cash - as defined in Section 2.7 and attached as Exhibit 1-1.

Estimated Indebtedness - as defined in Section 2.7 and attached as Exhibit 1-1.

Estimated Net Working Capital - as defined in Section 2.7 and attached as Exhibit 1-1.

Facilities - any real property leaseholds, or other real property interests currently or formerly owned or operated by the Company and any buildings, plants or structures currently or formerly owned or operated by the Company.

FDA - The U.S. Food and Drug Administration, or any successor agency within the Department of Health and Human Services or independent thereof.

Financial Statements - as defined in Section 3.4.

Fixed Asset List - as defined in Section 3.6(b).

GAAP - generally accepted United States accounting principles applied on a basis consistent with the Company's past practices.

Governmental Authorization - any approval, consent, license, permit, registration, waiver, or other authorization issued, granted, given, or otherwise required by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

Governmental Body - any:

(e) federal, state, local, municipal, foreign, or other government; or

(f) governmental authority of any nature (including any governmental agency, branch, department, or entity and any court or other tribunal).

Gross-Up Amount - as defined in Section 2.6.

Hazardous Activity - the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use of Hazardous Materials in, on, under or from the Facilities.

Hazardous Materials - any hazardous or toxic waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, which is regulated by any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefore and asbestos or asbestos-containing materials.

Historical Statements - as defined in Section 3.4.

Income Tax - (i) federal, state, local or foreign income taxes or other taxes measured by income, together with any interest, penalties or additions to tax imposed with respect thereto and (ii) any obligations under any agreements or arrangements with respect to any Income Taxes described in clause (i) above.

Income Tax Return - any return, declaration, report, claim for refund or information return or statement relating to Income Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Indebtedness - all indebtedness for borrowed money of the Company and any indebtedness for borrowed money guaranteed by the Company.

Indemnitee - as defined in Section 5.2.

Indemnitor - as defined in Section 5.2.

Independent Accountants - as defined in Section 3.4.

Independent Auditors - as defined in Section 2.8.

Insurance Source - as defined in Section 5.6.

Intellectual Property Assets - as defined in Section 3.24.

Interim Balance Sheet - as defined in Section 3.4.

Interim Balance Sheet Date - as defined in Section 3.7.

Interim Statements - as defined in Section 3.4.

IRC - the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued by the IRS pursuant to the Internal Revenue Code or any successor law.

IRS - the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

Knowledge - Sellers will be deemed to have "Knowledge" of a particular fact or other matter if any of the Persons listed on Exhibit 1-2 is actually aware (as opposed to any imputed knowledge) of such fact or other matter. Buyer will be deemed to have "Knowledge" of a particular fact or matter if any of the Persons listed on Exhibit 1-3 is actually aware (as opposed to any imputed knowledge) of such fact or matter:

Legal Requirement - any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, rule, regulation, statute, or treaty.

LLC Agreement - the Amended and Restated Limited Liability Company Agreement of Dental Concepts LLC, dated March 15, 2002, by and between the parties thereto.

Marks - as defined in Section 3.24(a).

Material Adverse Effect - any material adverse change in the business, operations, properties, assets, or condition of the Company, taken as a whole, other than (a) general economic conditions, (b) the announcement or consummation of the Contemplated Transactions, (c) the commencement of a proceeding in bankruptcy with respect to a Material Customer, (d)

any failure by the Company to meet any internal or published projections, forecasts, or revenue or earnings predictions for any period, (e) national or international political or social conditions, (f) war, outbreak of hostilities or terrorist attacks, (g) conditions affecting the financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (h) changes in any laws, rules or regulations of general application, and (i) any action taken by a party hereto in accordance with this Agreement.

Material Applicable Contract - any Applicable Contract listed or required to be listed on Schedule 3.19(a) of the Disclosure Letter, including any Applicable Contract which would have been required to be listed on Schedule 3.19(a) of the Disclosure Letter but for the fact that it is listed on another Schedule of the Disclosure Letter.

Material Customer - the customers of Company listed on Schedule 3.19(a)(i) of the Disclosure Letter.

Multiemployer Plan - as defined in Section 3.15(a).

Net Working Capital - means an amount equal to the Designated Current Assets minus the Designated Current Liabilities.

Non-Trade Accounts Payable - as defined in Section 3.9(c).

Occupational Safety and Health Law - any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards.

Order - any injunction, judgment, order, or ruling entered, issued, made, or rendered by any Governmental Body or by any arbitrator against the Company that has a prospective effect.

Organizational Documents - (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the certificate of formation and the operating agreement or like agreement of a limited liability company, (c) the partnership agreement and any statement of partnership of a general partnership; (d) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (e) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (f) any amendment to any of the foregoing.

Patents - as defined in Section 3.24(a).

Pay Out Arrangements - the severance obligations set forth in Schedule 3.27 of the Disclosure Letter.

Person - any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

Post-Closing Tax Period(s) - any taxable periods beginning after the Closing Date.

Pre-Closing Tax Period(s) - any taxable period ending on or before the Closing Date.

Previous Owners - the Persons who owned the NightGuard™ device prior to its purchase by the Company.

Predecessor - as defined in Section 7.8.

Product Liability Claim - any third party claim for property damages or personal injury based on "strict liability" theory which arises out of or is based upon any express or implied representation, warranty, agreement or guarantee made or alleged to have been made or which is imposed or asserted to be imposed by operation of law excluding any standard product warranty claims.

Proceeding - any action, arbitration, audit, hearing, litigation, or suit (whether civil, criminal, administrative or investigative) commenced, brought, conducted, or heard by or before any Governmental Body or arbitrator.

Products - the therapeutic and non-therapeutic oral care products marketed and distributed by the Company and sold in retail outlets throughout the United States of America and Canada in the ordinary course of business, consistent with past practice.

Prohibited Transaction - as defined in Section 3.15(h).

Purchase Price - as defined in Section 2.2.

Regulatory Escrow Agreement - as defined in Section 2.4.

Regulatory Escrow Amount - as defined in Section 2.3.

Regulatory Escrowed Funds - as defined in Section 5.5.

Related Person - with respect to a particular individual:

(g) each other member of such individual's Family;

(h) any Person that is directly or indirectly controlled by such individual or one or more members of such individual's Family;

(i) any Person in which such individual or members of such individual's Family hold (individually or in the aggregate) a Material Interest; and

(j) any Person with respect to which such individual or one or more members of such individual's Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

(k) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(l) any Person that holds a Material Interest in such specified Person;

(m) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity); and

(n) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

For purposes of this definition, (a) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse or domestic partner, and (iii) any other natural person who is a parent or child of the individual or the individual's spouse that shares the same residence, and (b) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least 10% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 10% of the outstanding equity securities or equity interests in a Person excluding any such ownership arising indirectly through ownership of mutual funds and similar investment vehicles.

Release - any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment.

Representative - with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

Restricted Securities - as defined in Section 4.3.

Royalty Payments - the amounts owed to the Previous Owners for the right to market and sell the NightGuard™ device pursuant to the Contingent Purchase Price provision under section 3 of that certain Asset Purchase Agreement, dated October 10, 1998, between Dental Concepts, Inc., Eugene Wagner, Peter Strauss (collectively "Shareholders") and Lesser & Roffe Associates, LLC.

Securities - as defined in the Recitals of this Agreement.

Securities Act - the Securities Act of 1933 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

Securities Ownership Percentage - as defined in Section 2.9(c).

Sellers - as defined in the first paragraph of this Agreement.

Sellers' Agent - as defined in Section 2.8(a).

Sellers' Agent Reserve Fund - as defined in Section 2.10(g).

Sellers' Indemnified Parties - as defined in Section 5.1(b).

Sellers' Parties - as defined in Section 3.13.

Sellers' Straddle Period Allocation - as defined in Section 7.4(b).

Straddle Period(s) - all taxable periods or portions thereof beginning before and ending after the Closing Date.

Subsidiary - with respect to any Person (the "Owner"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred) are held by the Owner or one or more of its Subsidiaries.

Successor Employer - as defined in Section 7.8.

Survival Period - as defined in Section 8.3.

Taxes - (a) any and all Income Taxes and all other taxes, including, without limitation, income, gross receipts, excise, tariff, value-added, net worth, duties, property, sales, withholding, social security, occupation, use, service, license, payroll, franchise, transfer and recording taxes, fees and charges, windfall profits, severance, customs, import, export, employment or similar taxes, charges, fees, levies or other assessments imposed by the United States, or any state, local or foreign government or subdivision or agency thereof, (regardless of whether they are computed on a separate, consolidated, unitary, combined or any other basis) together with all interest, penalties, deficiencies and additions imposed with respect to such amounts, (b) any liability for the payment of any amount described in section (a) of this definition as a result of being a member of an affiliated, consolidated, combined or unitary group for any period and (c) any obligations under any agreements or arrangements with any other Person with respect to amounts described in sections (a) and (b) of this definition (including any liability for such amounts of a predecessor entity).

Tax Return - any return (including any information return), report, declaration, document, filing, statement, schedule, notice, form, or other document or information (whether consolidated, combined or otherwise) filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

Third Party Source - as defined in Section 5.6.

Threat Of Release - a substantial likelihood of a Release that may require action under Environmental Law in order to prevent or mitigate damage to the Environment that may result from such Release.

Threatened - a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made or any written notice has been given that such a claim, Proceeding, dispute, action, or other matter is likely to be asserted, commenced, taken, or otherwise pursued in the future.

Trade Secrets - as defined in Section 3.24(a).

Traditional Escrow Agreement - as defined in Section 2.4.

Traditional Escrow Amount - as defined in Section 2.3.

Traditional Escrowed Funds - as defined in Section 5.4.

Transaction Documents - the agreements, documents and instruments identified in Section 2.4.

**2. SALE AND TRANSFER OF SECURITIES; CLOSING**

2.1 Securities. Subject to the terms and conditions of this Agreement, at the Closing, Sellers will sell and transfer the Securities to Buyer, and Buyer will purchase the Securities from Sellers.

2.2 Purchase Price. Subject to adjustment as set forth in this Article 2, the aggregate purchase price for the Securities shall be an amount equal to (i) $30,188,000, minus (ii) Estimated Indebtedness (as defined below), plus (iii) the Gross-Up Amount (as defined below), minus (iv) the amount of the Sellers' Agent Reserve Fund. The result of the calculation in the preceding sentence shall be increased by the amount, if any, by which the Estimated Cash exceeds $200,000 or decreased by the amount, if any, by which $200,000 exceeds the Estimated Cash (such purchase price, as so increased or decreased, the "Estimated Purchase Price").

2.3 Closing. The parties intend that the purchase and sale provided for in this Agreement (the "Closing") will take place simultaneously with the execution and delivery of this Agreement at the offices of Dechert LLP, 30 Rockefeller Plaza, New York, NY 10112, on the date hereof. Accordingly, except as otherwise provided herein, all references herein to the Closing shall mean and include the closing of the Contemplated Transactions on the date hereof. The Closing shall be effective as of the open of business on the Closing Date.

2.4 Closing Deliveries. At the Closing:

(a) Sellers will deliver to Buyer instruments of transfer, duly signed by Sellers, conveying the Securities to Buyer; and

(b) Sellers will deliver to Buyer a consent from the landlord for a change of control pursuant to the lease agreement between Mack-Cali Realty, L.P. and Dental Concepts LLC dated December 6, 1999, as amended.

(c) Buyer shall (i) deliver to Bank of New York, as escrow agent (the "Escrow Agent"), $1,500,000 of the Estimated Purchase Price (the "Traditional Escrow Amount") pursuant to the Traditional Escrow Agreement, dated as of the date hereof (the "Traditional Escrow Agreement"), between Buyer and the Sellers' Agent, (ii) deliver to Escrow Agent $1,500,000 of the Estimated Purchase Price (the "Regulatory Escrow Amount") pursuant to the Regulatory Escrow Agreement, dated as of the date hereof (the "Regulatory Escrow Agreement"), between Buyer and the Sellers' Agent, (iii) deliver $50,000 to the Seller's Agent in respect of the Sellers' Agent Reserve Fund as contemplated by Section 2.10(g), and (iv) pay the remaining portion of the Estimated Purchase Price to Sellers by wire transfer of immediately available funds payable to a single account as designated by the Sellers' Agent. In addition, Buyer will deliver to the Bank an amount equal to the Estimated Indebtedness (as defined below) as payment in full of all amounts owed thereunder. Delivery of all the amounts referred to above shall be in cash by wire transfer of immediately available funds to the single account designated by the Sellers' Agent (or, in the case of the Traditional Escrow Amount or the Regulatory Escrow Amount, the escrow agent, and, in the case of the payment for Estimated Indebtedness, to the account designated by the Bank).

2.5 Allocation. Buyer and Sellers acknowledge that the purchase and sale of the Securities hereunder shall be treated, in accordance with Rev. Rul. 99-6, as a purchase of assets by Buyer and as a sale of partnership interests by Sellers for federal income Tax purposes. Buyer and Sellers agree that the Estimated Purchase Price shall be allocated for purposes of Buyer's deemed purchase of assets among the assets of the Company in accordance with an allocation which the parties shall cooperate in good faith to prepare following the Closing. If the parties cannot agree on the allocation with in ninety (90) days of the Closing, any disputes will be submitted to the Independent Auditor, who shall conclusively resolve such disputes in accordance with Section 1060 of the Code within thirty (30) days thereof. Each of the parties hereto agrees to report the transactions described herein consistently with such allocation for all Tax purposes. Each of the parties shall utilize such allocations for all Tax reporting purposes and shall defend any examination or audit relating thereto in a manner consistent with such allocation. Each party shall update such allocation to reflect any Post-Closing adjustments to the Estimated Purchase Price.

**2.6** Gross-Up. Buyer agrees that at the Closing, it will pay to Sellers $100,000 (the "Gross-Up Amount") with the intent of causing the net proceeds received by Sellers (including the Gross-Up Amount, after payment of all applicable Taxes, assuming for these purposes that Sellers have no items of income or deduction other than the Estimated Purchase Price, as adjusted pursuant to this Article 2, but taking into account all recapture of "unrealized receivables" as defined in Section 751 of the Code, and all similar items, as actually incurred), to equal an amount that the Sellers would have received after the payment of all applicable Taxes if such Taxes had only been payable at capital gains rates.

2.7 Estimates; Adjustments.

(a) The Company has estimated Net Working Capital ("Estimated Net Working Capital"), Cash ("Estimated Cash") and Indebtedness ("Estimated Indebtedness") as of November 8, 2005 and delivered to Buyer a statement attached as Exhibit 1-1.

(b) If Actual Net Working Capital, as finally determined pursuant to Section 2.8(b), is less than the Estimated Net Working Capital, then the Estimated Purchase Price shall be reduced dollar-for-dollar by the amount of such shortfall, and Sellers shall pay Buyer the amount of such reduction. If Actual Net Working Capital, as finally determined pursuant to Section 2.8(b), is greater than the Estimated Net Working Capital, then the Estimated Purchase Price shall be increased dollar-for-dollar by the amount of such excess, and Buyer shall pay Sellers the amount of such increase.

(c) If Actual Cash, as finally determined pursuant to Section 2.8(b), is less than Estimated Cash, then the Estimated Purchase Price shall be reduced dollar-for-dollar by the amount of such shortfall, and Sellers shall pay Buyer the amount of such reduction. If Actual Cash, as finally determined pursuant to Section 2.8(b), is greater than Estimated Cash, then the Estimated Purchase Price shall be increased dollar-for-dollar by the amount of such excess, and Buyer shall pay Sellers the amount of such increase.

(d) If Actual Indebtedness, as finally determined pursuant to Section 2.8(b), is greater than the Estimated Indebtedness, then the Estimated Purchase Price shall be reduced dollar-for-dollar by the amount of such shortfall, and Sellers shall pay Buyer the amount of such reduction. If Actual Indebtedness, as finally determined pursuant to Section 2.8(b), is less than the Estimated Indebtedness, then the Estimated Purchase Price shall be increased dollar-for-dollar by the amount of such excess, and Buyer shall pay Sellers the amount of such increase.

(e) If, after finalization of the allocation of the Estimated Purchase Price contemplated by Section 2.5 hereof, the Gross-Up Amount is not sufficient to cause the net proceeds received by Sellers (including the Gross-Up Amount, after payment of all applicable

(f) Taxes, assuming for these purposes that Sellers have no items of income or deduction other than the Estimated Purchase Price, as adjusted pursuant to this Article 2, but taking into account all recapture of "unrealized receivables" as defined in Section 751 of the Code, and all similar items, as actually incurred), to equal an amount that the Sellers would have received after the payment of all applicable Taxes if such Taxes had only been payable at capital gains rates, then the Estimated Purchase Price shall be increased by such amount (the "Additional Gross-Up Amount") as is sufficient to cause the net proceeds received by Sellers (including the Gross-Up Amount and such Additional Gross-Up Amount, after payment of all applicable Taxes, assuming for these purposes that Sellers have no items of income or deduction other than the Estimated Purchase Price, as adjusted pursuant to this Article 2, but taking into account all recapture of "unrealized receivables" as defined in Section 751 of the Code, and all similar items, as actually incurred), to equal an amount that the Sellers would have received after the payment of all applicable Taxes if such Taxes had only been payable at capital gains rates, and Buyer shall pay Sellers the amount of such increase.

(g) Any payment required to be made under this Section 2.7 shall be made no later than two (2) Business Days after the final determination of Actual Net Working Capital, Actual Cash and Actual Indebtedness pursuant to Section 2.8; provided, however, that if the purchase price allocation contemplated by Section 2.5 has not been finalized as of such time, the payment required by Section 2.7(e) shall be made at such time as such allocation is finalized.

2.8 Closing Balance Sheet.

(a) No later than ninety (90) days after the Closing Date, Buyer shall (i) prepare or cause to be prepared a balance sheet of the Company as of the close of business on November 8, 2005 (the "Closing Balance Sheet") as well as a calculation, based on the Closing Balance Sheet, of Actual Net Working Capital, Actual Indebtedness and Actual Cash, and (ii) deliver to Sellers' Agent the Closing Balance Sheet, as well as the calculation of Actual Net Working Capital, Actual Indebtedness,

Actual Cash and the adjustments, if any, required to be made to the Estimated Purchase Price pursuant to Section 2.7 (the "Schedule of Adjustments"). The Closing Balance Sheet shall be prepared in conformity with, and using the same accounting principles and methodologies as the Historical Statements.

(b) Sellers' Agent will have a period of thirty (30) days following the delivery of the Closing Balance Sheet and the Schedule of Adjustments to notify Buyer of any disagreements with the Closing Balance Sheet or the Schedule of Adjustments, it being understood that Sellers' Agent may object to the calculations reflected therein, but only on the basis that such calculations were not made in accordance with this Agreement. Any such notice shall be accompanied by supporting documentation containing reasonable detail. Failure to notify Buyer within such 30-day period shall be deemed acceptance of the Closing Balance Sheet and the Schedule of Adjustments. In the event Sellers' Agent timely notify Buyer of any disagreement, Buyer and Sellers' Agent will attempt in good faith to resolve such disagreement.

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If within thirty (30) days after delivery to Buyer of the notification by Sellers' Agent of a disagreement, they are unable to resolve such disagreement, either Buyer, on the one hand, or Sellers' Agent, on the other hand, shall have the right to submit the determination of such matter to an independent accountant of national standing reasonably acceptable to Buyer and Sellers' Agent (the "Independent Auditor"), whose decision shall be binding on the parties. The Independent Accountant shall be acting as an arbitrator and not as an auditor and shall decide only those issues as to which the parties are not in agreement on the grounds that the Closing Date Balance Sheet and/or the Schedule of Adjustment delivered by the Company pursuant to Section 2.8(a) was not prepared conformity with principles used in the preparation of the Historical Statements or contained computational errors. The cost of the Independent Auditor shall be paid by the party whose aggregate estimate of the disputed amount or amounts, as the case may be, differs most greatly from the determination of the Independent Auditor. Notwithstanding anything herein to the contrary, the dispute resolution mechanism contained in this Section 2.8 shall be the exclusive mechanism for resolving disputes regarding all adjustments, if any, pursuant to Section 2.8.

(c) Buyer shall provide Sellers' Agent and its accountants with reasonable access to all books and records and working papers and to personnel of Buyer and the Company to the extent necessary to enable Sellers' Agent and its accountants to review the preparation of the Closing Balance Sheet and the Schedule of Adjustments, subject to Sellers' Agent and its accountants executing standard confidentiality agreements.

2.9 Sellers' Agent.

(a) By the execution and delivery of this Agreement, each Seller irrevocably appoints and authorizes Hamilton Investment Partners, LLC, to act as such Seller's agent, representative and attorney-in-fact hereunder (in such capacity and not in its personal capacity as a Seller, the "Sellers' Agent"). Each Seller irrevocably authorizes the Sellers' Agent to take such action on behalf of such Seller and to exercise all such powers as are expressly delegated to the Sellers' Agent hereunder, together with such other powers as are reasonably incidental thereto, including the execution and delivery of the Traditional Escrow Agreement and Regulatory Escrow Agreement, certificates, statements, notices, approvals, extensions, waivers, undertakings and amendments to this Agreement or the Traditional and Regulatory Escrow Agreements required or permitted to be made, given or determined hereunder or in connection with the transactions contemplated hereby, and including the right to contest and settle any claims for indemnification, adjustments to purchase price or other claims made hereunder and to resolve any other disputes arising under this Agreement or the Traditional and Regulatory Escrow Agreements. The Sellers' Agent shall have the right and authority to engage and employ agents and representatives and to incur expenses as the Sellers' Agent reasonably deems necessary or prudent in connection with the foregoing. The Sellers' Agent shall have the sole and exclusive right on behalf of any Seller to take any action, or receive any notice of any claims for indemnification under Article 5 hereof and to settle any claim or controversy arising with respect thereto; provided, however, the Sellers' Agent shall not settle any claim against a

single Seller without the consent of such Seller. Any actions taken or omitted, exercises of rights, power or authority, and any decision or determination made by the Sellers' Agent shall be absolutely and irrevocably binding on each Seller as if such Seller had personally taken such action or omitted to take such action, exercised such rights, power or authority or made such decision or determination in such Seller's individual capacity, and no Seller shall have the right to object, dissent, protest or otherwise contest the same. Buyer's rights and remedies against the Sellers shall in no way be diminished because the right or remedy was due to the acts or omissions of the Sellers' Agent.

(b) The appointment of the Sellers' Agent as each Seller's attorney-in-fact revokes any power of attorney heretofore granted that authorized any other person or persons to represent such Seller with regard to this Agreement or the Traditional and Regulatory Escrow Agreements. The appointment of the Sellers' Agent as attorney-in-fact pursuant hereto is coupled with an interest and is irrevocable. The obligations of each Seller pursuant to this Agreement (i) will not be terminated by operation of law, death, mental or physical incapacity, liquidation, dissolution, bankruptcy, insolvency or similar event with respect to such Seller or any proceeding in connection therewith, or in the case of a trust, by the death of any trustee or trustees or the termination of such trust, or any other event, and (ii) shall survive the delivery of an assignment by any Seller of the whole or any fraction of its interest in any payment due to it under this Agreement.

(c) The Sellers' Agent hereby accepts the foregoing appointment and agrees to serve as Sellers' Agent, subject to the provisions hereof, for the period of time from and after the date hereof without compensation; provided that the Sellers (on the basis of their respective number of Units owned (the "Securities Ownership Percentage")) shall reimburse the Sellers' Agent for expenses incurred by Sellers' Agent in its capacity as such. Each of the Sellers hereby acknowledges and agrees, that in appointing Sellers' Agent as its representative pursuant to the terms and provisions of this Section 2.9, and as specified herein, the Sellers' Agent shall not, in the absence of bad faith, willful misconduct or gross negligence, have any liability to the Sellers whatsoever with respect to its actions, decisions and determinations, and the Sellers' Agent and the Buyer shall be entitled to assume that all actions, decisions and determinations are fully authorized by each and every one of the Sellers. Each Seller shall indemnify the Sellers' Agent against all damages, liabilities, claims, obligations, costs and expenses arising out of or in connection with any claim relating to the acts or omissions of the Sellers' Agent hereunder, other than those that arise from the Sellers' Agent's bad faith, willful misconduct or gross negligence.

(d) The Sellers' Agent shall be entitled to rely upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it by a Seller hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity of the service thereof. The Sellers' Agent may act in reliance upon any instrument or signature of any Seller believed by it to be genuine and may assume that the Seller or representative thereof purporting to give receipt or advice or make any statement or execute any document in connection with the provisions hereof has been duly authorized to do

so. The Sellers' Agent may conclusively presume that the undersigned representative of any party hereto which is not a natural person has full power and authority to instruct the Sellers' Agent on behalf of that party unless written notice to the contrary is delivered to the Sellers' Agent.

(e) The Sellers' Agent may act pursuant to the advice of counsel with respect to any matter relating to this Agreement and shall not be liable to the Sellers for any action taken or omitted by it in good faith in accordance with such advice.

(f) The Buyer hereby agrees that the Sellers' Agent shall not, in its capacity as such, have any liability or obligation under this Agreement to the Buyer whatsoever with respect to its actions, decisions or determinations, but rather Buyer shall have redress directly against Sellers for any actions, decisions, or determinations made by Sellers' Agent; provided, however, nothing in this Agreement shall be deemed to be a release of the Sellers' Agent with respect to any tortious act committed by the Sellers' Agent against the Buyer; provided, further, however, that nothing in this Agreement shall be deemed to limit or restrict the Sellers' Agent from exercising its rights or remedies under this Agreement.

(g) The Sellers authorize the Sellers' Agent to receive and hold back from the proceeds otherwise payable to the Sellers hereunder an amount equal to $50,000 (the "Sellers' Agent Reserve Fund"). The Sellers' Agent Reserve Fund may be used by the Sellers' Agent to pay transaction expenses, attorneys fees relating to disputes or negotiations arising out of this Agreement, year-end K-1 preparation accounting fees and other expenses relating to performance of its duties hereunder, including expenses associated with preparation of taxes. If upon the date two years after the date hereof, there remains any unused portion of the Seller' Agent Reserve Fund, Sellers' Agent shall pay such remaining amount to the Sellers in accordance with the ownership percentages set forth opposite each Seller's name on Schedule 3.1(a) attached hereto.

## 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in this Agreement or in the Disclosure Letter, the Company represents and warrants to Buyer as follows as of the effective time of the Closing. The following representations and warranties are qualified by the information set forth in this Agreement to the extent it is reasonably clear from such information that it qualifies the particular representation and warranty. Information in each Schedule of the Disclosure Letter qualifies the representations and warranties to which such Schedule relates (or makes cross-reference), as well as other representations and warranties in this Agreement to the extent it is reasonably clear from such information that it qualifies such other representations and warranties. Certain information reflected in the Disclosure Letter may not be matters required by this Agreement to be disclosed and such disclosure does not imply that such information is material (or set any standard of materiality) or that such information is responsive to the representations or warranties.

3.1 Organization and Good Standing.

(a) Schedule 3.1(a) of the Disclosure Letter contains a complete and accurate list for the Company of its jurisdiction of formation, other jurisdictions in which it is authorized to do business, and the identity of each equity holder and the number of securities held by each. The Company is a limited liability company duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization, with requisite power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under Applicable Contracts. The Company is duly qualified to do business as a foreign business entity and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect.

(b) Sellers have delivered, or have caused to be delivered, to Buyer copies of the Organizational Documents of the Company, as currently in effect.

3.2 Authority; No Conflict.

(a) This Agreement and the Contemplated Transactions have been duly authorized by Sellers, including all necessary actions by the Company's managers and each of the members of the Company. Assuming the due execution and delivery of this Agreement by Buyer, this Agreement constitutes the legal, valid, and binding obligation of Sellers, enforceable against Sellers in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity and the discretion of courts in granting equitable remedies. Upon the execution and delivery by Sellers of the Transaction Documents to which Sellers are a party, and assuming the due execution and delivery of such Transaction Documents by the other parties thereto, such Transaction Documents will constitute the legal, valid, and binding obligations of Sellers, enforceable against Sellers in accordance with their respective terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general

principles of equity and the discretion of courts in granting equitable remedies. Any Seller that is not an individual has the requisite authority to execute and deliver this Agreement and the Transaction Documents to which it will be a party and to perform its obligations under this Agreement and the Transaction Documents to which it will be a party. Any Seller that is an individual has the legal capacity to execute and deliver this Agreement and the Transaction Documents to which it will be a party and to perform its obligations under this Agreement and the Transaction Documents to which it will be a party.

(b) Except as set forth in Schedule 3.2(b) of the Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will (with or without notice or lapse of time):

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(i) contravene, conflict with, or result in a violation of any provision of the Organizational Documents of the Company or, to the Company's Knowledge, any resolution adopted by the Company's members and managers; or

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

(c) Except as set forth in Schedule 3.2(c) of the Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation or performance of the transaction described in clause (a) of the definition of Contemplated Transactions will (with or without notice or lapse of time) contravene, conflict with, or result in a violation of, any Legal Requirement or any Order to which the Company or any Seller is a party, or to which any of the assets owned or used by the Company is subject.

3.3 Capitalization.

(a) Sellers are the record and beneficial owners and holders of all the issued and outstanding limited liability company membership interests of the Company, which constitute the Securities, free and clear of all Encumbrances other than restrictions on disposition contained in any applicable federal or state securities laws and other than any restriction or Encumbrances arising under the Company's LLC Agreement. No legend or other reference to any purported Encumbrance appears upon any certificate representing equity securities of the Company. All of the outstanding equity securities of the Company have been duly authorized and validly issued. There are no Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of the Company. None of the outstanding equity securities or other securities of the Company was issued in violation of the Securities Act or any other Legal Requirement.

(b) Other than as set forth in the LLC Agreement, the Company does not own, or have any Contract to acquire, any equity securities or other securities of any Person or any direct or indirect equity or ownership interest in any other business.

3.4 Financial Statements. Sellers have delivered to Buyer: (a) audited balance sheet of the Company as of December 31 in each of the years 2002 through 2004, and the related audited statements of income, changes in members' deficiency, and cash flow for each of the fiscal years then ended, including in each case the notes thereto (collectively, the "Historical Statements"), together with the report thereon of Price Waterhouse Coopers LLP, independent certified public accountants (the "Independent Accountants"), and (b) an unaudited balance sheet of the Company as at June 30, 2005 (the "Interim Balance Sheet") and

the related unaudited statement of income (collectively with the Interim Balance Sheet, the "Interim Statements"). The Historical Statements, together with the notes thereto, and the Interim Statements (collectively, the "Financial Statements") fairly present, in all material respects, the financial condition and the results of operations, changes in members' deficiency, and cash flow of the Company as at the respective dates of and for the periods referred to in such Financial Statements, all in accordance with GAAP, subject, in the case of the Interim Statements, to recurring quarter-end and year-end adjustments, the absence of notes (that, if presented, would not differ materially in methodology from that applied in developing those included in the balance sheets referred to in clause (a) above); and, except as set forth in Schedule 3.4 of the Disclosure Letter, the Historical Financial Statements reflect the consistent application of such accounting principles throughout the periods involved.

3.5 Books and Records. The books of account of the Company, all of which have been made available to Buyer, have been maintained in the ordinary course of business. At the Closing, all of those books and records will be in the possession of the Company.

3.6 Title to Properties; Encumbrances.

(a) The Company does not own any real property. Schedule 3.6(a) of the Disclosure Letter contains a complete and accurate list of all leaseholds or other interests in real property owned by the Company.

(b) At or prior to the Closing, Sellers shall provide to Buyer a complete and accurate written list of the Company's material Fixed Assets (the "Fixed Asset List"). Except as set forth on Schedule 3.6(b) of the Disclosure Letter, the Company owns (i) all of the Fixed Assets reflected on the Fixed Asset List other than tangible property sold, disposed of or consumed since the date of the Fixed Asset List, in the ordinary course of business, consistent with past practice, and (ii) all of the Fixed Assets purchased or otherwise acquired by the Company since the date of the Fixed Asset List (except for tangible property acquired and sold, disposed of or consumed since the date of the Fixed Asset List in the ordinary course of business, consistent with past practice), which subsequently purchased or acquired Fixed Assets (other than inventory, supplies, disposables, consumables and other properties and assets purchased or otherwise acquired in the ordinary course of business) are listed in Schedule 3.6(b) of the Disclosure Letter. All properties and assets reflected in the Fixed Asset List or in Schedule 3.6(b) are free and clear of all Encumbrances other than, with respect to all such properties and assets, (A) security interests shown on the Interim Balance Sheet as securing specified liabilities or obligations, with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (B) security interests incurred in connection with the purchase of property or assets after the date of the Interim Balance Sheet (security interests being limited to the property or assets so acquired), with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (C) statutory liens for current taxes or assessments not yet due or payable, (D) Encumbrances in

favor of lessors of equipment, (E) mechanic's liens or other Encumbrances arising in the ordinary course of business which are immaterial to the value, financial condition or operations of the Company, and (F) Encumbrances identified on Schedule 3.6(b) of the Disclosure Letter.

3.7 Adequacy of Reserve for Returns. The reserve for returns of Products distributed by the Company prior to the Closing Date on the Interim Balance Sheet was materially adequate to account for the actual returns of such Products which were returnable as of the date of the Interim Balance Sheet (the "Interim Balance Sheet Date") other than any abnormal returns attributable to the occurrence of either of the following: (a) a customer ceasing to doing business with the Company after the Interim Balance Sheet Date so long as the Company had no Knowledge prior to the Interim Balance Sheet Date that such customer intended to cease doing business with the Company after the Interim Balance Sheet Date, or (b) the commencement of a proceeding in bankruptcy more than 45 days following the Interim Balance Sheet Date with respect to a customer.

3.8 Condition and Sufficiency of Assets. Except as disclosed in Schedule 3.8, the equipment of the Company is sufficient for the operation of the business of the Company as it is currently conducted by the Company. The Company's distribution centers were operating in the ordinary course of business as of the last date prior to the Closing Date that such distribution centers conducted operations.

3.9 Accounts Receivable and Payable.

(a) All accounts receivable of the Company that reflected on the Interim Balance Sheet (collectively, the "Accounts Receivable") represented valid obligations arising from sales actually made or services actually performed in the ordinary course of business. Subject to the reserves shown on the Closing Balance Sheet (which reserves will be calculated consistent with past practice), each of the Accounts Receivable not heretofore collected or written off will be collected, in cash or by credit during the Survival Period except for (i) Accounts Receivable of a customer that following the Closing Date ceases doing business with the Company, so long as the Company had no Knowledge prior to the Closing Date that such customer intended to cease doing business with the Company after the Closing Date, and (ii) Accounts Receivable payable by a customer that is the subject of a bankruptcy proceeding commenced more than 90 days following the Closing Date. There will be no contest, claim, or right of set-off, other than returns, shortages and other claims made in the ordinary course of business, under any Applicable Contract with any obligor of an Accounts Receivable relating to the amount or validity of such Accounts Receivable, except to the extent of the reserves shown on the Closing Balance Sheet or as disclosed in Schedule 3.9(a) of the Disclosure Letter. Schedule 3.9(a) of the Disclosure Letter contains a complete and accurate list, in all material respects, of all accounts receivable of the Company as of September 30, 2005, which list sets forth the aging of such accounts receivable.

(b) Schedule 3.9(b) of the Disclosure Letter sets forth a correct and complete list of all outstanding trade accounts payable of the Company as of September 30, 2005, other

than individual accounts payable of not more than $50,000 ("Trade Accounts Payable"). Schedule 3.9(b) also identifies all trade payables of the Company the payment of which is overdue (based on a due date consistent with the Company's past practice for that creditor) by more than 120 days as of September 30, 2005, and all trade payables of the Company as to which, to the Company's Knowledge, the applicable trade creditor has taken collection action at any time since June 30, 2005.

(c) Schedule 3.9(c) of the Disclosure Letter sets forth a correct and complete list of all material outstanding non-trade accounts payable of the Company as of September 30, 2005 ("Non-Trade Accounts Payable" and, together with Trade Accounts Payable, "Accounts Payable"). Schedule 3.9(c) also identifies all non-trade accounts payable of the Company the payment of which is overdue (based on a due date consistent with the Company's past practice for that creditor) by more than 120 days as of September 30, 2005, and all non-trade payables of the Company as to which, to the Company's Knowledge, the applicable non-trade creditor has taken collection action at any time since June 30, 2005.

3.10 [Delete.]

3.11 Inventory.

(a) The value of the inventory consisting of the NightGuard™ device and the Brushpick device reflected on the Closing Balance Sheet (determined in accordance with the valuation methodologies described in Section 3.11(b)) will not be more than $50,000 less than the amount of such inventory shown on the Interim Balance Sheet.

(b) All inventory of the Company reflected in the Interim Balance Sheet will consist of a quality and quantity usable and salable or returnable in the ordinary course of business, except for obsolete items and items of below-standard quality, all of which will be written off or written down to net realizable value in the Interim Balance Sheet. All such inventories not written off which is not returnable will be priced at the lower of cost or net realizable value on a first in, first out basis.

3.12 No Undisclosed Liabilities. Except as set forth on Schedule 3.12 of the Disclosure Letter, the Company has no material liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) except for (a) liabilities or obligations (i) reflected or reserved against in the Interim Balance Sheet, or (ii) of a type (and not materially greater in amount) than those set forth in the notes to the Historical Statements as at December 31, 2004, (b) liabilities under the executory portion of Applicable Contracts, (c) liabilities disclosed, or not required to be disclosed, in this Agreement or the Disclosure Letter, (d) liabilities resulting from the consummation of the Contemplated Transactions, (e) liabilities which are not required under GAAP to be reflected or reserved against in the Interim Balance Sheet or Closing Balance Sheet which, in the aggregate, would not

3.13 have a Material Adverse Effect, and (f) liabilities incurred in the ordinary course of business after the date of the Interim Balance Sheet.

3.14 Taxes. Except as described on Schedule 3.13 of the Disclosure Letter:

(a) The Company has properly filed, in a timely manner, all Tax Returns required by Legal Requirements to be filed by it, and such Tax Returns and reports are true, complete and accurate in all material respects. The Company has paid all Taxes shown to be due on all of their respective Tax Returns or claimed to be due by any Governmental Body. The reserves and provisions for Taxes on the Interim Balance Sheet are adequate for all open years of the Company and for the Company's current fiscal period. There are no outstanding liens for unpaid Taxes of the Company other than liens for real property and personal property Taxes not yet due and payable. All Taxes that the Company is required to withhold, deduct and/or collect from any Person have been properly withheld, deducted and collected and have been paid over to the appropriate Tax authority or other Governmental Body.

(b) The Company has no Knowledge of any proposed assessment of any additional Taxes by any Governmental Body. The Company is not currently being audited by any Governmental Body, and no such audit is pending or, to the Company's Knowledge, Threatened in writing.

(c) There are no agreements, waivers, or other arrangements providing for the extension of time with respect to the assessment or collection of any Tax against the Company that are outstanding. Neither the Sellers nor the Company (collectively, the "Sellers' Parties") has filed any Tax form with any Governmental Body to intentionally make a Tax election whereby the Company is not treated as either a disregarded tax entity or a partnership for federal or state Income Tax purposes which (i) was in effect for any past year for which the time for audit has not expired; (ii) is currently in effect; or (iii) will be in effect at any future time. Neither of the Sellers' Parties has given any waiver or extension of any period of limitation governing the time of assessment or collection of any Tax relating to the Company which is still currently in effect.

(d) There do not exist any past due unpaid federal, state or local Tax deficiencies assessed against the Company. All Taxes owed by the Company which are due and payable on or before the Closing Date pursuant to any Legal Requirements have been fully paid except to the extent reflected or reserved against in the Interim Balance Sheet. All of the 1999, 2000, 2001, 2002, 2003 and 2004 Tax Returns for the Company have been made available to the Buyer.

(e) The Company is treated as a partnership for federal Income Tax purposes. Neither the Sellers nor any of their Affiliates are considered to be "foreign persons" as defined in IRC Section 1445. Schedule 3.13 sets forth the states in which the Company filed Income Tax Returns for the taxable year ended December 31, 2004.

(f) The Company has not (i) applied for any Tax ruling, or (ii) entered into a closing agreement as described in IRC Section 7121 or otherwise (or any corresponding or similar provision of state, municipal, county, local, foreign or other tax law) or any other agreement with any Tax authority that will have a continuing effect on the Company with respect to taxable periods following the Closing.

3.15 No Material Adverse Effect. Since the date of the Interim Balance Sheet, except as set forth in Schedule 3.14 of the Disclosure Letter, there has not been any Material Adverse Effect, and no event has occurred or circumstance exists, other than the announcement or consummation of the Contemplated Transactions, that would reasonably be expected to result in a Material Adverse Effect.

3.16 Employee Benefits.

(a) Schedule 13.15(a) of the Disclosure Letter sets forth a true and complete list of all Benefit Plans.

(b) The only Benefit Plans with respect to which the Company has any liability other than the employment agreements listed on Schedule 3.15(a) are "employee welfare benefit plans", as defined in ERISA Section 3(1). All contributions to, and premium payments in respect of, those Benefit Plans have been duly and timely paid. Neither the Company nor Sellers know or have reason to know of any uninsured benefit payable under any such welfare benefit plan disregarding the effect of copays, deductibles and stated plan limits.

(c) No Benefit Plan is, or at any point for which any relevant statute of limitations remains open was, an "employee pension benefit plan", as defined in ERISA Section 3(2) including but not limited to a "multiemployer plan" within the meaning of ERISA Section 3(37) (a "Multiemployer Plan"). The Company is not subject to any withdrawal liability with respect to any Multiemployer Plan.

(d) Sellers have provided to Buyer true and complete copies of: (i) all currently effective plan texts and agreements relating to each Benefit Plan; (ii) the most recent summary plan descriptions (whether or not required to be furnished pursuant to ERISA), and the most recent annual report on Form 5500, if any, (including all schedules thereto). There are no Benefit Plans which are required to be written which are not written. There are no unwritten modifications to any Benefit Plan that could reasonably be expected to be enforced by a court of competent jurisdiction or enforced by any federal regulatory agency or instrumentality.

(e) Sellers, the Company and each of the Benefit Plans comply, in all material respects with the applicable provisions of ERISA, the Code, other applicable law and all binding regulatory guidance issued thereunder, each such Benefit Plan has been administered, in all material respects, in accordance with its terms. No fiduciary with respect to any Benefit Plan has

acted or failed to act in any manner, nor has any prohibited transaction (as such term is defined in IRC Section 4975 or ERISA Section 406) occurred which may subject the Company or the Buyers to any liability under any applicable law.

(f) There are no pending or to Sellers' knowledge threatened claims, lawsuits or arbitrations (other than routine claims for benefits) that have been asserted or instituted against or with respect to any such Benefit Plan or the assets of any such Benefit Plan.

(g) The consummation of the transactions contemplated hereby will not (i) entitle any current or former employee of the Company to severance pay, unemployment compensation or any similar payment, or (ii) accelerate the time of payment or vesting, or increase the amount of any compensation due to any such employee or former employee.

(h) No Benefit Plan provides medical or death benefits (whether or not insured) with respect to current or former employees of the Company beyond their retirement or other termination of service other than coverage, if any, mandated by law. The Company and any entity with which is required to be aggregated for purposes of ERISA have a total of 10 employees and therefore are not subject to the "COBRA continuation requirements" set out in Code section 4980B.

3.17 Compliance With Legal Requirements; Governmental Authorizations.

(a) Except as set forth in Schedule 3.16 of the Disclosure Letter:

(i) the Company is, and at all times since January 1, 2005 has been, in compliance with each material Legal Requirement that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets, except where the failure so to comply would not have a Material Adverse Effect;

(ii) the Company has not received, at any time since January 1, 2005, any written notice or other written communication or, to the Company's Knowledge, any oral notice or communication, from any Governmental Body regarding (A) any actual, alleged or to the Company's Knowledge Threatened violation of, or failure to comply with, any material Legal Requirement, or (B) any actual, alleged or to the Company's Knowledge Threatened obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) the Company has obtained and is in possession of all Governmental Authorizations required for the operation of the Company's business, except where such failure would not have a Material Adverse Effect.

3.18 Legal Proceedings; Orders.

(a) Except as set forth in Schedule 3.17(a) of the Disclosure Letter, there is no pending Proceeding to which the Company is a party that would have a Material Adverse Effect:

(i) that relates to or affects the business of, or any of the assets owned or used by, the Company; or

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

To the Company's Knowledge, except as set forth in Schedule 3.17(a) of the Disclosure Letter, no such Proceeding has been Threatened. Sellers have made available for inspection by Buyer, to the extent requested by Buyer, copies of all pleadings, correspondence, and other documents, if any, in Sellers' possession or control relating to each pending or Threatened Proceeding listed in Schedule 3.17(a) of the Disclosure Letter.

(b) Except as set forth in Schedule 3.17(b) of the Disclosure Letter:

(i) Neither Sellers, the Company nor any of their respective Affiliates is a party to any Order that affects the business of, or any of the assets owned or used by, the Company; and

(ii) To the Company's Knowledge, no officer, director, or employee, of the Company is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the business of the Company.

(c) Except as set forth in Schedule 3.17(c):

(i) the Company is, and at all times since December 31, 2004 has been, in material compliance with all of the terms and requirements of each Order to which it is a party, or to which any of the assets owned or used by it, is or has been subject; and

(ii) the Company has not received, at any time since December 31, 2004, any written notice or other written communication or, to the Knowledge of Sellers, oral notice or communication from any Governmental Body or any other Person regarding any actual, alleged or Threatened violation of, or failure to comply with, any term or requirement of any Order to which the Company is a party, or to which any of the assets owned or used by the Company, is subject.

3.19 Absence of Certain Changes and Events. Except as set forth in Schedule 3.18 of the Disclosure Letter, since the date of the Interim Balance Sheet, the Company has conducted its business only in the ordinary course of business, consistent with past practice, and there has not been any Material Adverse Effect. In addition, since such date, except as set forth in Schedule 3.18, there has not been any:

(a) change in the Company's authorized or issued membership interests; grant of any stock option or right to purchase Securities or capital stock of the Company; issuance of any security convertible into such capital stock; grant of any registration rights; purchase, redemption, retirement, or other acquisition by the Company of any Securities or any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of Securities or capital stock;

(b) amendment to the Organizational Documents of the Company;

(c) payment or increase by the Company of any bonuses, salaries, or other compensation to any member, manager, director, officer, or (except in the ordinary course of business, consistent with past practice) employee or entry into any written employment, severance, or similar Contract with any director, officer, or employee;

(d) adoption of, or increase in the payments to or benefits under, any Benefit Plan for or with any Employees of the Company;

(e) damage to or destruction or loss of any material asset or property of the Company, whether or not covered by insurance, materially and adversely affecting the properties, assets, business, financial condition, or prospects of the Company, taken as a whole;

(f) entry into, termination of, or receipt of notice of termination of (i) any license, distributorship, sales representative, joint venture, bank credit, or similar agreement, or (ii) any Contract involving a total remaining commitment by or to the Company of at least $100,000;

(g) sale, lease, or other disposition of any material asset or property of the Company (other than sales of inventory, consumption of disposables and collections of receivables in the ordinary course of business, consistent with past practice) or mortgage, pledge, or imposition of any Encumbrance on any material asset or property of the Company, including the sale, lease, or other disposition of any material Intellectual Property Assets of the Company;

(h) (h)cancellation or waiver of any claims or rights with a value to the Company in excess of $100,000;

(i) material change in the accounting methods used by the Company; or

(j) agreement, whether oral or written, by the Company to do any of the foregoing.

3.20 Contracts; No Defaults.

(a) Schedule 3.19(a) of the Disclosure Letter contains a complete and accurate list, and Sellers have delivered to Buyer true and complete copies, of each written:

(i) Applicable Contract with each Material Customer;

(ii) Applicable Contract that involves performance of services or delivery of goods or materials to the Company of an amount or value in excess of $100,000 annually;

(iii) Applicable Contract that was not entered into in the ordinary course of business and that involves expenditures or receipts of the Company in excess of $100,000 annually and which cannot be terminated on 60 days notice without penalty;

(iv) Applicable Contract with a wholesale distributor of the Products in the United States or Canada who entered into such Applicable Contract with the Company in such wholesaler’s capacity as a wholesale distributor of the Products that;

(v) lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other written Applicable Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $50,000 annually);

(vi) collective bargaining agreement and other written Applicable Contract to or with any labor union or other employee representative of a group of employees;

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

(viii) Applicable Contract containing covenants that in any way purport to restrict the business activity of the Company or limit the freedom of the Company to engage in any line of business or to compete with any Person;

(ix) Applicable Contract providing for payments in excess of $50,000 annually to or by any Person based on sales, purchases, or profits, other than direct payments for goods;

(x) power of attorney that is currently effective and outstanding;

(xi) Applicable Contract for capital expenditures in excess of $50,000 annually, other than any Applicable Contracts with customers providing for the installation of display fixtures;

(xii) guaranty with respect to contractual performance of a third party extended by the Company other than in the ordinary course of business; and

(xiii) amendment, supplement, and modification (whether oral or written) in respect of any of the foregoing.

(b) Except as set forth in Schedule 3.19(b) of the Disclosure Letter or as contemplated by the Transaction Documents:

(i) No Material Applicable Contract that relates to the business of, or any of the assets owned or used by, the Company (A) provides Sellers (or any Related Person of Sellers other than the Company) with any rights, or the ability to acquire any rights, thereunder, or (B) subjects Sellers (or any Related Person of Sellers) to any obligation or liability thereunder; and

(ii) To the Company's Knowledge, no officer, director, agent, Employee, consultant, or contractor of the Company, is bound by any Contract that purports to limit the ability of such officer, director, agent, employee, consultant, or contractor to (A) engage in or continue any conduct, activity, or practice relating to the business of the Company, or (B) assign to the Company or to any other Person any rights to any invention, improvement, or discovery.

(c) Except as set forth in Schedule 3.19(c) of the Disclosure Letter, since January 1, 2005, the Company has not received from any Person, any written notice or other written communication that any Material Customer has determined to cease doing business with the Company or materially reduce the volume of Products purchased from the Company.

(d) Except as set forth in Schedule 3.19(d) of the Disclosure Letter, since January 1, 2005 there have not been any written or electronic mail demands to renegotiate any material amounts paid or payable to the Company under any Material Applicable Contracts.

(e) The Material Customers in the aggregate accounted for not less than 70% of the Company's net revenues in the Company's last fiscal year.

3.21 Insurance.

(a) Sellers have delivered to Buyer:

(i) true and complete copies of all policies of insurance to which the Company is a party or under which the Company, or any director of the Company, is covered;

(ii) true and complete copies of all pending applications for policies of insurance; and

(iii) any statement by the auditor of the Company's financial statements with regard to the adequacy of such entity's coverage or of the reserves for claims.

(b) Schedule 3.20(b) of the Disclosure Letter describes, as of June 30, 2005,

(i) any self-insurance arrangement by or affecting the Company, including any reserves established thereunder; and

(ii) other than disclosed in the Material Applicable Contracts, any contract, other than a policy of insurance, for the transfer or sharing of the risk by the Company.

(c) Schedule 3.20(c) of the Disclosure Letter sets forth, as of June 30, 2005, by year, for the current policy year and each of the two preceding policy years, (i) a summary of the loss experience under each policy, (ii) a statement describing each

open claim under an insurance policy for an amount in excess of $100,000, and (iii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

3.22 Environmental Matters. Except as set forth in Schedule 3.21 of the Disclosure Letter and to the Company's Knowledge:

(a) The Company is in material compliance with, is not in material violation of, any Environmental Law. Neither Sellers nor the Company received, since January 1, 2004, any actual or Threatened order, notice, or other communication from (i) any Governmental Body or third party, or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or potential Environmental Health and Safety Liabilities of the Company.

(b) There are no pending or Threatened claims, Encumbrances, environmental land use or other similar restrictions, resulting from any Environmental, Health, and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting any of the Facilities.

(c) Neither Sellers nor the Company has received, since January 1, 2004, any written citation, directive, inquiry, notice, Order, summons, warning, request for information, or other communication that relates to any alleged, actual, or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties which the Company owned, leased or operated, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by the Company, have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(d) The Company has no pending unresolved Environmental, Health, and Safety Liabilities with respect to the Facilities or with respect to any other properties which the Company has owned, leased or operated, which would in any one instance have a Material Adverse Effect.

(e) There are no Hazardous Materials present at levels greater than applicable action, trigger, reporting or risk-based Cleanup levels under Environmental Laws used in the operation of the Facilities by the Company on or released by the Company to the Environment at the Facilities, including without limitation any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, dumps, equipment (whether moveable or fixed) or other containers, and deposited or located in land, water, sumps, or any other part of the Facilities. Since January 1, 2004, the Company has not permitted or conducted, and the Company has no Knowledge of, any Hazardous Activity conducted with respect to the Facilities or any other properties owned, operated or leased by the Company except in material compliance with all applicable Environmental Laws.

(f) Since January 1, 2004, there has been no Release or Threat of Release, of any Hazardous Materials caused by the Company at or from the Facilities or from or by any other properties in which the Company has or had an interest whereby the cost of Cleanup would have a Material Adverse Effect.

(g) Sellers have delivered to or made available for review by Buyer copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Sellers or the Company pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance by the Company with Environmental Laws, or otherwise concerning the Company's or Sellers' Environmental, Health and Safety Liabilities, in each case since January 1, 2004.

(h) No underground storage tanks owned, operated or used by the Company are located or were formerly located on any of the Facilities of the Company or Sellers except in material compliance with Environmental Laws.

(i) No event has occurred and no condition exits with respect to the Company or the Company's operation of the Facilities which has resulted in, or is likely to result in, any material liability, cost or expense to Sellers with respect to the Company or any other Person who owns or operates the Facilities, under any applicable Environmental Laws.

(j) Section 3.21 sets forth the exclusive representation and warranties with respect to Environmental matters, including with out limitation, Hazardous Materials, Hazardous Activities, Environmental, Health and Safety Liabilities, Environmental Laws and Occupational and Health and Safety Laws.

3.23 Employees. Schedule 3.22 of the Disclosure Letter sets forth a list of the names of all employees of the Company currently employed (the "Employees") and indicates the current salary or wage rate of each Employee. Schedule 3.22 of the Disclosure Letter sets forth a list of all Employees whose employment with the Company terminated since the date ninety (90) days prior to the date of this Agreement.

3.24 Labor Relations. Except as set forth on Schedule 3.23 of the Disclosure Letter:

(a) Since January 1, 2004, the Company has not been and is not now a party to any collective bargaining or other labor Contract. There is not presently pending or existing, and to the Company's Knowledge there is not Threatened, (i) any strike, slowdown, picketing, work stoppage, or employee grievance process, (ii) any Proceeding against or affecting the Company relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any comparable Governmental Body, organizational activity, or other labor or employment dispute against or affecting the Company or its premises, or (iii) any application for certification of a collective bargaining agent. To the Company's Knowledge no event has occurred or circumstance exists that reasonably could be expected to provide the basis for any work stoppage or other labor dispute. There is no lockout of any employees by the Company, and no such action is currently contemplated by the Company. The Company is not liable for the payment of any compensation, damages, taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Legal Requirements, except where the failure so to comply would not have a Material Adverse Effect.

(b) There are no pending, or to the Company's Knowledge, Threatened claims or actions against the Company under any worker's compensation policy or long-term disability policy that would result in a material liability to the Company. The Company has no direct or indirect liability with respect to any misclassification of any person as an independent contractor rather than as an employee, or with respect to any employee leased from another employer, except as would not result in material liability to the Company.

3.25 Intellectual Property.

(a) Intellectual Property Assets - The term "Intellectual Property Assets" means:

(i) all registered and unregistered trademarks, service marks, and applications for registration thereof (collectively, "Marks") listed on Schedule 3.24(a)(i) of the Disclosure Letter;

(ii) all patents and patent applications (collectively, "Patents") listed on Schedule 3.24(a)(ii) of the Disclosure Letter; and

(iii) know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints; owned, used, or licensed by the Company either as licensee or licensor, which are not part of the public knowledge or literature (collectively, "Trade Secrets").

(b) Agreements. Schedule 3.24(b) of the Disclosure Letter contains a complete and accurate list of all Applicable Contracts relating to Intellectual Property Assets. There are no outstanding and, to the Company's Knowledge, no Threatened disputes or disagreements with respect to any such Applicable Contracts identified or required to be identified in Schedule 3.24(b) of the Disclosure Letter.

(c) Intellectual Property Assets. Except for license agreements described or not required to be described in Schedule 3.24(c) of the Disclosure Letter, the Company is not obligated to pay any third party to use its Intellectual Property Assets.

(d) Patents and Marks. Schedule 3.24(d) sets forth a list of all United States and foreign Patents, registered and material unregistered Marks, registered copyrights and applications therefor owned by the Company (the "Patent and Trademark Rights"). Except as set forth in Schedule 3.24(d), and except for agreements set forth on Schedule 3.24(b), the Patent and Trademark Rights are all the Patent and Trademark Rights that are material to the operation of the business of the Company as currently being conducted. The Company is the owner of all title and interest in and to each of the Patent and Trademark Rights, free and clear of all Encumbrances. There are no material claims or proceedings pending or, to the Company's Knowledge, Threatened against the Company asserting that its use of any of the Patent and Trademark Rights infringes the rights of any other person. To the Company's Knowledge, there are no third parties infringing upon the Company's Patent and Trademark Rights in any material respect.

(e) Trade Secrets. Except as set forth in Schedule 3.24(e) of the Disclosure Letter:

(i) The Company has taken commercially reasonable precautions to protect the secrecy, confidentiality, and value of its Trade Secrets.

(ii) To the Company's Knowledge, the Company's Trade Secrets have not been divulged, or misappropriated either for the benefit of any Person (other than one or more of the Company, Sellers or Sellers'

Affiliates) or to the detriment of the Company. To the Company's Knowledge, no Trade Secret of the Company is subject to any adverse claim.

3.26 Certain Payments. Since January 1, 2004, to the Company's Knowledge, neither the Company, nor any director, officer, agent, or Employee of the Company, or any other Person associated with or acting for or on behalf of the Company, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company, in each such case in violation of any Legal Requirement, or (b) established or maintained any fund or asset which should be recorded in the books and records of the Company that has not been so recorded in the books and records of the Company.

3.27 Relationships With Related Persons. Except as set forth in Schedule 3.26 of the Disclosure Letter:

(a) Neither Sellers nor any Related Person of Sellers or of the Company has any interest in any material property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Company's business.

(b) Neither Sellers nor any Related Person of Sellers or of the Company owns (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that (i) has business dealings or a material financial interest in any transaction with the Company (other than business dealings or transactions conducted in the ordinary course of business with the Company at substantially prevailing market prices and on substantially prevailing market terms), or (ii) engages in competition with the Company with respect to any line of the products or services of the Company (a "Competing Business") in any market presently served by the Company.

(c) Neither Sellers nor any Related Person of Sellers or of the Company is a party to any Contract with, or has any claim or right against, the Company.

3.28 Payout Arrangements. Sellers, concurrently with the Closing, have fully paid all amounts due and owing on the Payout Arrangements and, subsequent to such payments, there will be no outstanding obligation for any Payout Arrangement. In addition, Sellers have paid or

reserved such necessary amounts of money to satisfy in full all the following additional payments: (a) a sale bonus of $300,000 to Kelly Kaplan pursuant her employment letter dated September 13, 1999, (b) a sale fee of $750,000 (plus up to an additional $250,000 contingent on Sellers' receipt of all escrow amounts under the Traditional Escrow Agreement and the Regulatory Escrow Agreement) to Ray Duane pursuant his consulting agreement dated September 30, 1999 and (c) an allocation of proceeds of $1,819,924 to Michael Lesser pursuant to the Amended and Restated Limited Liability Company Agreement of Dental Concepts LLC dated as of March 15, 2002 ("Additional Payments"). Buyer shall have no obligations or liabilities with regards to such Additional Payments.

3.29 Supplier Letters. Certain correspondence with certain of the Company's suppliers is attached as Schedule 3.28 to the Disclosure Letter. The Company has no Knowledge that any of the suppliers will fail to abide by the commitments made in such correspondence.

3.30 Brokers or Finders. Except as set forth in Schedule 3.29 of the Disclosure Letter, Sellers and their agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

## 4. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers as follows:

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

4.2 Authority; No Conflict.

(a) This Agreement and the Contemplated Transactions have been duly authorized by Buyer, including all necessary actions of Buyer's directors. Assuming the due execution and delivery of this Agreement by Sellers, this Agreement constitutes the legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity and the discretion of courts in granting equitable remedies. Upon the execution and delivery by Buyer of the Transaction Documents to which Buyer is a party, and assuming the due execution and delivery of such Transaction Documents by the other parties thereto, such Transaction Documents will constitute the legal, valid, and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity and the discretion of courts in granting equitable remedies. Buyer has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and the Transaction Documents to which it will be a party and to perform its obligations under this Agreement and the Transaction Documents to which it will be a party.

(b) Except as set forth in Schedule 4.2, neither the execution and delivery of this Agreement by Buyer nor the consummation or performance of any of the Contemplated Transactions by Buyer will give any Person the right to prevent, delay, or otherwise interfere with any of the Contemplated Transactions pursuant to:

(i) any provision of Buyer's Organizational Documents;

(ii) any resolution adopted by the board of directors or the stockholders of Buyer;

(iii) any Legal Requirement or Order to which Buyer may be subject; or

(iv) any Contract to which Buyer is a party or by which Buyer may be bound.

(c) Except as set forth in Schedule 4.2, neither the execution and delivery of this Agreement nor the consummation or performance of the transaction described in clause (a) of the definition of Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time) contravene, conflict with, or result in a violation of, any Legal Requirement or any Order to which Buyer is a party, or to which any of the assets owned or used by Buyer is subject, and Buyer is not required to obtain any Consent or Governmental Authorization from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

4.3 Investment Intent. Buyer: (a) is acquiring the Securities for its own account, for investment only, and not with a view to, or for sale in connection with, any distribution in violation of the Securities Act or any rule or regulation under the Securities Act, (b) is a sophisticated investor and has sufficient knowledge and experience in financial and business matters to be able to evaluate the merits and risks of its investment in the Securities, (c) acknowledges that Sellers have made available to Buyer (i) the opportunity to ask questions of (and to receive answers from) the officers and directors of the Company, and (ii) the opportunity to acquire all information about the Company as Buyer has determined is necessary to evaluate the merits and risks of its investment in the Securities, (d) understands that the Securities (A) have not been registered under the Securities Act or under any state securities laws; (B) are being sold to Buyer in reliance on exemptions from the registration requirements of the Securities Act and such state securities laws; (C) are "restricted securities" within the meaning of Rule 144 under the Securities Act; and (D) may not be sold, transferred or otherwise disposed of unless subsequently registered under the Securities Act and applicable state securities laws or unless an exemption from registration is then available, and (e) is able to bear the economic risk and lack of liquidity inherent in holding the Securities.

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

4.5 Brokers or Finders. Buyer and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

4.6 Breach by Sellers of the Company. Buyer has no knowledge of any breach or inaccuracy in any representation, warranty or covenant of the Company or Sellers in this Agreement, including as a result of any due diligence investigation undertaken by the Buyer.

**5. INDEMNIFICATION; REMEDIES; ESCROWED FUNDS**

5.1 Obligation to Indemnify.

(a) Subject to the terms and conditions hereof, Sellers agree to indemnify, defend and hold harmless Buyer and its directors, officers, employees, Affiliates, stockholders and permitted assigns (the "Buyer's Indemnified Parties") for, and will pay to Buyer Indemnified Parties the amount of, any loss, liability, claim, damages, reasonable expenses (collectively, "Damages") resulting from or arising out of (i) any Breach of any representation or warranty made by the Company in Article 3 of this Agreement; (ii) any Breach of any covenant or agreement of any Seller contained in this Agreement; (iii) any and all amounts of federal, state, and or local income taxes that may be assessed against Buyer and/or the Company with respect to any Pre-Closing Taxable Period(s) for which adequate provisions therefore have not been made through the Closing Date, as reflected on the Company's books of account and in the Closing Balance Sheet and the amount(s) of any interest and/or penalties that may be assessed with respect to said tax assessments; and (iv) to the extent occurring prior to Closing, any violation of applicable Environmental Laws and any licenses or permits related thereto by the Company or, the Release or Threatened Release in, at, under, from, or on the Facilities of toxic or hazardous substances during the ownership or occupancy thereof by the Company which resulted in an Environmental Liability.

Notwithstanding the foregoing, (i) Sellers shall not have any liability under Section 5.1(a)(i), (a)(ii) and 5.1(b) unless the aggregate of all Damages relating thereto exceeds, on a cumulative basis, Two Hundred Fifty Thousand Dollars ($250,000) (the "Basket"), and then only to the extent of such excess, and (ii) Sellers' aggregate liability under Section 5.1(a)(i) and (a)(ii) shall in no event exceed Three Million Dollars ($3,000,000) (the "Ceiling"). Provided, however, that a breach of warranties set forth in Sections 3.27 and the covenant in Section 6.1 shall not be subject to the Basket or to the Ceiling but rather, for purposes of clarification, Sellers shall be liable to Buyers for the first dollar thereof and the

Buyer shall not be limited to $3,000,000 of damages. Provided, further, however, that any liability of the Sellers under Section 5.1(a)(i) shall be several in nature only, so that each Seller's proportionate share of such liability for such Damages shall not exceed the amount determined by multiplying such aggregate Damages indemnifiable under Section 5.1(a)(i) (in excess of the Basket and up to a maximum of the Ceiling, less any amounts theretofore paid under Section 5.1(a)(i) or (ii)) in respect of such claim by such Seller's Securities Ownership Percentage. In addition, no Seller shall have any liability under Section 5.1(a)(ii) above except for the Seller who is in breach of the covenant or covenants referred to in Section 5.1(a)(ii).

(b) In addition to Sellers' indemnification obligations under Section 5.1(a), Sellers agree to indemnify, defend and hold harmless Buyer (and its directors, officers, employees, Affiliates, stockholders and assigns) from and against all Damages resulting from or arising out of Damages pertaining to any Product Liability Claim, subject to the following: (i) Sellers shall only be liable with respect to the products that were sold by the Company prior to the Closing, (ii) Buyer shall maintain the Company's current insurance coverage; (iii) Sellers shall have no liability under this Section with respect to any third-party claim that is first asserted more than eighteen (18) months following the Closing Date; and (iv) Sellers' aggregate liability with respect to product liability shall in no event exceed $1,000,000 during any consecutive twelve (12) month period.

(c) Buyer agrees to indemnify, defend and hold harmless Sellers and their respective directors, officers, managers, employees, Affiliates, stockholders and assigns (collectively, "Sellers' Indemnified Parties") from and against all Damages resulting from or arising out of (i) any Breach of any representation, warranty, covenant or agreement of Buyer contained in this Agreement; and (ii) obligations arising from the conduct of the business of the Company subsequent to the Closing.; (iii) except to the extent subject to Seller's indemnity hereof, the violation of Environmental Laws, including permits or licenses related thereto by the Company or the Release of Threatened of Release in, at, under, from, or on the Facilities of toxic or hazardous substances during the occupancy thereof by the Company on or after Closing. Notwithstanding the foregoing, Buyer shall not have any liability under clause (i) of this Section 5.1(c) unless the aggregate of all Damages relating thereto exceeds, on a cumulative basis, Two Hundred and Fifty Thousand Dollars ($250,000), and then only to the extent of such excess.

(d) The term "Damages" as used in this Section 5.1 is not limited to matters asserted by third parties against Sellers or Buyer, but includes Damages incurred or sustained by any of them in the absence of third party claims. Payments by a party of amounts for which such party is indemnified hereunder shall not be a condition precedent to recovery.

5.2 Notice of Asserted Liability. Promptly after Buyer or the Sellers' Agent becomes aware of any fact, condition or event that may give rise to Damages for which indemnification may be sought under this Article 5, the party entitled to indemnification ("Indemnitee") shall give notice thereof in the manner provided in this Section 5.2 of this Agreement (the "Claims Notice") to the other party (i.e. the Seller's Agent, in the case of a claim under Section 5.1(a) hereof, of the Buyer, in the case of a claim under Section 5.1(b) hereof) (the "Indemnitor"). The Claims Notice shall include a description in reasonable detail of any claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") against Indemnitee, and shall indicate the amount (estimated, if necessary) of the Damages that have been or may be suffered by Indemnitee. Failure of Indemnitee to promptly give notice hereunder shall not affect rights to indemnification hereunder, except to the extent that Indemnitor demonstrates actual damage caused by such failure. Upon Indemnitor's request, Indemnitee shall provide Indemnitor with such reasonable documentation as Indemnitor shall request pertaining to any claim(s) made by Indemnitee.

5.3 Opportunity to Defend. Indemnitor may elect to compromise or defend, at its own expense and by its own counsel, any Asserted Liability (it being understood that the Sellers' Agent shall have the exclusive right to defend, compromise or settle); provided, however, that Indemnitor may not compromise or settle any Asserted Liability without the consent of Indemnitee, such consent not to be unreasonably withheld, unless such compromise or settlement requires no more than a monetary payment for which Indemnitee and any other indemnifiable parties hereunder are fully indemnified or involves other matters not binding upon Indemnitee or such other indemnifiable parties. If Indemnitor elects to compromise or defend such Asserted Liability, it shall within 15 days (or sooner, if the nature of the Asserted Liability so requires) notify Indemnitee of its intent to do so and Indemnitee shall cooperate in the compromise of, or defense against, such Asserted Liability. If Indemnitor elects not to compromise or defend any Asserted Liability, fails to notify Indemnitee of its election as herein provided or contests its obligation to indemnify, Indemnitee may pay, compromise or defend such Asserted Liability without prejudice to any right it may have hereunder. In any event, each of Buyer and Sellers may participate, at its own expense, in the defense of any Asserted Liability in respect of which it may have an indemnification obligation under Section 5.2. If either party chooses to defend or participate in the defense of any Asserted Liability, it shall have the right to receive from the other party any books, records or other documents within such party's control that are necessary or appropriate for such defense.

5.4 Traditional Escrowed Funds. Pursuant to the terms of an escrow account in the form attached hereto as Exhibit 5.4 (the "Traditional Escrow Agreement"), if and to the extent the Sellers are obligated to indemnify Buyer pursuant to Sections 5.1 or 5.2, Buyer may notify the Escrow Agent and the Sellers' Agent of Buyer's claim for indemnification, including the amount thereof, as provided in the Traditional Escrow Agreement. The provisions of the Traditional Escrow Agreement shall then govern such

claim and the disbursement of funds by the Traditional Escrow Agreement. Any remaining Traditional Escrow Amounts shall be distributed to the Sellers eighteen (18) months from the Closing Date.

5.5 Regulatory Escrowed Funds. Pursuant to the terms of an escrow account in the form attached hereto as Exhibit 5.5 (the "Regulatory Escrow Agreement"), the Regulatory Escrow Amount shall be held for 36 months following the Closing Date unless one of the following events occurs; (a) publication of a §510(k) application by the FDA that permits commercial over-the-counter distribution of the NightGuard™ device and/or its generic equivalent; (b) a determination that the NightGuard™ device and/or its generic equivalent is a consumer product and not subject to FDA regulation; (c) categorization of the device by the FDA as Category 1 Exempt (and thus not requiring any further sanctioning by the Agency) or (d) any other notification by the FDA of the Sellers right to continue marketing the product in its current distribution channels at which point the Regulatory Escrowed Funds shall thereafter be distributed to Sellers. Notwithstanding the foregoing, it is specifically agreed that if the NightGuard™ device continues to be in over-the-counter distribution 36 months after the Closing Date, the Regulatory Escrow Amount shall be distributed to Sellers. In the event the FDA takes action , prior to the date 36 months after the date hereof, which results in the prohibition of the over the counter distribution of the NightGuard™ device the Regulatory Escrow Fund shall be paid to Buyer. Each of Buyer and Sellers' Agent agrees to execute instructions to the escrow agent under the Regulatory Escrow Agreement authorizing distribution of such Regulatory Escrow Amounts in a manner consistent with this Section 5.5.

5.6 Damages Net of Insurance, Etc. The amount of any Damage for which indemnification is provided under this Article 5 shall be net of (a) in the case of Section 5.1(a), any reserves established in the Interim Balance Sheet or the Closing Balance Sheet, (b) subject to Section 5.7, any amounts actually recovered by the Indemnitee pursuant to any indemnification by or indemnification agreement with any third party (a "Third Party Source"); (c) any insurance proceeds actually recovered by the Indemnitee from a third party insurer with respect to any policy (provided that in the event of a recovery under any such policy, the amount of the recovery shall be offset by any increase in premiums arising as a direct result of the filing or the payment of such claim) under which the Company is insured immediately prior to the Closing Date (an "Insurance Source"), (each such person named in clauses (a), (b), and (c), a "Collateral Source"), and (d) an amount equal to the Tax benefit actually realized by the Indemnitee (assuming for the purposes of this Section that the person receiving such Tax benefits is subject to a 40% marginal income tax rate), if any, attributable to such Loss. If the amount to be netted hereunder from any payment required under Sections 5.1(a) or 5.1(b) is received after payment by the Indemnitor of any amount otherwise required to be paid to an Indemnitee pursuant to this Article 5, the Indemnitee shall repay to the Indemnitor, promptly after such receipt, any amount that the Indemnitor would not have had to pay pursuant to this Article 5 had such determination been made at the time of such payment.

5.7 Collateral Sources. Indemnification under this Article 5 shall not be available to any Buyer Indemnified Party unless such Buyer Indemnified Party first uses all reasonable efforts to obtain recovery from any Insurance Source for such claim before making any claim for

indemnification pursuant to Section 5.1 hereof; provided, however, the parties acknowledge and agree that during such time as any Buyer Indemnified Party is pursuing recovery from an Insurance Source, the Buyer Indemnified Party may file a Claims Notice (but will not pursue such claim until the Buyer Indemnified Party has exhausted all reasonable efforts to obtain recovery from the Insurance Source). Any Indemnitor may, in its sole discretion, require any Indemnitee (i) to grant an assignment to the Indemnitor of the right of such Indemnitee to assert a claim against any Third Party Source at the Indemnitor's own expense or (ii) if the right is not assignable, to permit the Indemnitor to pursue a claim with respect to such right against the Third Party Source in the name of the Indemnitee at the Indemnitor's own expense. The Indemnitee shall promptly remit to the Indemnitor any proceeds received by the Indemnitee from any such claim against a Third Party Source which has been assigned to Indemnitor or which Indemnitor is pursuing in the name of Indemnitee.

5.8 Limitation of Remedies. Notwithstanding anything in this Agreement, the remedies set forth in this Article 5, the Traditional Escrow Agreement and the Regulatory Escrow Agreement shall be the sole remedies to which any party hereto is entitled for breach or noncompliance with the provisions of this Agreement, or any other agreement, instrument or document delivered in connection with the Contemplated Transactions; provided, however, that the foregoing shall not limit the right of any party to obtain injunctive relief, specific performance or similar equitable relief. In no event shall any party hereto be entitled to recover, or be liable to any other party for special, indirect, consequential, exemplary or punitive damages, except to the extent the Indemnitee has been held liable to a third-party for such damages, in which case the Indemnitor's liability shall include the full amount of Indemnitee's Damages in respect of such third-party claim. The parties to this Agreement shall be obligated to use commercially reasonable efforts to mitigate the amount of Damages otherwise recoverable hereunder. Buyer shall not be entitled to indemnification in respect of any matter which was the subject of the adjustments to the purchase price contemplated by Sections 2.5, 2.7 and 2.8 of this Agreement.

## 6. ADDITIONAL AGREEMENTS

6.1 Ray Duane Indemnification. Sellers shall indemnify Buyer for any and all claims brought by Ray Duane with regards to any claims for compensation.

6.2 Continuation of Insurance. Buyer shall maintain insurance respecting its assets and those of its subsidiaries (including after the Closing, the Company) wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses.

6.3 Access to Records. Buyer agrees that Sellers shall be entitled, for any lawful purpose, including (a) preparing tax returns, and (b) preparing and auditing financial statements, after Closing, upon reasonable notice and during the regular business hours of the Company, to have reasonable access to and to make copies of the financial and tax business records of the Company which relate to periods prior to the Closing. Buyer shall cause the Company to retain

such records for a period of five years following the Closing, after which time Buyer may permit the Company to destroy or otherwise dispose of such business records without Sellers' consent. Notwithstanding the foregoing, if Buyer or the Company notifies Sellers in writing that it desires to dispose of such business records, Sellers shall have a period of sixty (60) days following its receipt of such notice to obtain possession thereof. If and to the extent Sellers do not elect to obtain such possession, Buyer or the Company shall be entitled to dispose of such business records as described in such notice.

**7. TAX COVENANTS**

7.1 Sellers' Liability. Sellers will be solely responsible for all Income Taxes imposed upon the Company with respect to Pre-Closing Periods, and, with respect to Straddle Periods, Income Taxes imposed upon the Company which are allocable, pursuant to Section 7.3, to the portion of such taxable year or period ending on the Closing Date, except to the extent, in either case that such Taxes are adequately reserved in the Closing Balance Sheet. Sellers shall receive the benefit of all Tax losses incurred by the Company with respect to Pre-Closing Periods and, with respect to Straddle Periods, the benefit of all Tax losses incurred by the Company which are allocable, pursuant to Section 7.3, to the portion of such taxable year or period ending on the Closing Date.

7.2 Buyer's Liability. Buyer will be solely responsible for any and all Taxes of, or payable by, the Company which the Sellers are not responsible for pursuant to Section 7.1, including, in the case of Income Taxes with respect to a Straddle Period, the portion of such taxable year or period commencing after the Closing Date as determined pursuant to Section 7.3. Buyer shall receive the benefit of all Tax losses incurred by the Company to which Sellers are not entitled pursuant to Section 7.1, including, in the case of all Tax losses incurred by the Company with respect to a Straddle Period, the portion of such taxable year or period commencing after the Closing Date as determined pursuant to Section 7.3. In addition, Buyer will be solely responsible for any and all Taxes (other than Income Taxes described in Section 7.1 which shall remain the responsibility of the Sellers) applicable to, imposed on or arising out of the Contemplated Transactions.

7.3 Apportionment of Income Taxes. In order to apportion appropriately any Income Taxes relating to any taxable year or period that includes a Straddle Period, the parties will, to the extent permitted under applicable law, elect with the relevant Tax authority or agency to treat for all purposes the Closing Date as the last day of the taxable year or period of the Company. In the case of any Straddle Period, the portion of any Income Taxes that is allocable to the portion of the Straddle Period ending on the Closing Date will be deemed equal to the amount which would be payable if the taxable year or period ended on the Closing Date (except that, solely for purposes of determining the marginal tax rate applicable to income during such period in a jurisdiction in which such tax rate depends upon the level of income, annualized income shall be taken into account, for an equitable sharing of such Income Taxes).

7.4 Preparation of Tax Returns.

(a) Sellers will prepare and file (or cause to be prepared and filed) in a timely manner the Income Tax Returns required to be filed by the Company (after giving effect to any valid extensions of the due date for filing any such Income Tax Returns) for any Pre-Closing Periods. Sellers will timely pay (or cause to be timely paid) all Income Taxes shown as due and owing on all such Income Tax Returns.

(b) Buyer will prepare and file (or cause to be prepared and filed) in a timely manner the Income Tax Returns of the Company for any Straddle Period; provided, however, that Buyer shall submit such Income Tax Returns to Sellers' Agent with a proposed allocation of the Income Taxes in which Sellers are responsible pursuant to Section 7.1 with respect to such Straddle Period (the "Sellers' Straddle Period Allocation"), for review and approval, at least 45 days prior to the filing date (after giving effect to any valid extensions). Buyer will be responsible to pay (or cause to be paid) all Income Taxes shown as due and owing by the Company on all such Income Tax Returns. Within 15 days after receipt of the Income Tax Returns relating to a Straddle Period, Sellers' Agent shall deliver to Buyer written notice of any disagreement with respect to the Income Tax Returns or the calculation of the Sellers' Straddle Period Allocation. Buyer and Sellers shall attempt to resolve any disputes with respect to such Income Tax Returns or calculations; provided that if they are unable to do so within 15 days after delivery of notice of the disagreement, such disputed items shall be submitted to the Independent Accountant for final determination, which determination shall be binding upon Buyer and Sellers. Sellers shall pay to Buyer on or before the date which is the later of three business days before the due date of the final Income Tax Return for the Straddle Period (after giving effect to any valid extensions), or five days after the final determination by the Independent Accountant, the amount of the Income Tax liability for the Straddle Period that Sellers are responsible for as determined in Section 7.1 and this Section 7.4(b). Except as otherwise provided in this Section 7.4, Buyer will also prepare and file, or cause to be prepared and filed, any and all other Tax Returns required to be filed by the Company. Buyer will be responsible to pay (or cause to be paid) all Taxes shown as due and owing by the Company on all such Tax Returns. All Tax Returns shall be prepared in a manner consistent with the past practices of the Company and Sellers, unless otherwise required by applicable law.

7.5 Other Covenants. Neither Buyer nor any Affiliate thereof shall amend, refile or otherwise modify, or cause or permit the Company to amend, refile or otherwise modify, any Tax election or Tax Return with respect to any Pre-Closing Period or Straddle Period without the prior written consent of Sellers. Sellers shall be entitled to all refunds, if any, attributable to Taxes for any Pre-Closing Period or the portion of any Straddle Period ending on the Closing Date or attributable to Income Taxes listed in Section 7.1, and Buyer shall deliver such refunds to Sellers as promptly as possible upon receipt. Buyer shall, if Sellers so request and at Sellers' expense, cause the Company to file for and use its reasonable best efforts to obtain and expedite any claim for (and any receipt of) refund to which Sellers are entitled to under this Section 7.5.

7.6 Contests.

(a) Notice. Following the Closing, Buyer will immediately notify Sellers in writing of any proposed assessment or claim or the commencement of any audit or administrative or judicial or other Proceeding involving Taxes which, if determined adversely, could result in a liability to Sellers under this Agreement or which could cause an adjustment in the Tax liability of Sellers or their Affiliates. Following the Closing, Sellers will immediately notify Buyer in writing of any proposed assessment or claim or the commencement of any audit or administrative or judicial or other Proceeding involving Taxes which, if determined adversely, could affect the determination of Taxes to which the Company may be subject in or for Post-Closing Periods, but only to the extent that Sellers are notified thereof. In each case, such notice shall contain factual information to the extent known describing the asserted Tax liability in reasonable detail and shall include copies of any notice or other document received from any Tax authority in respect of any such asserted Tax liability.

(b) Pre-Closing Period Contests. In the case of an audit or administrative or judicial or other Proceeding with respect to Taxes that relates to any Pre-Closing Period, Sellers will have the right at its own expense to control the conduct of such audit or Proceeding including settling or compromising the issue or matter. If Sellers elect to direct such audit or Proceeding, Sellers shall, within thirty (30) days following receipt of notice from Buyer of any such audit or Proceeding, notify Buyer of Sellers' intent to do so, and Buyer shall cooperate and shall cause the Company to fully cooperate, at Sellers' expense, in each phase of the audit or Proceeding. If Sellers elect not to direct such audit or Proceeding, Buyer or the Company, as applicable, may assume control of such audit or Proceeding (at Buyer's expense); provided, however, in such case, Buyer shall provide Sellers with a timely and reasonably detailed account of each phase of the audit or Proceeding, and neither Buyer nor the Company may settle or compromise any asserted liability without the prior written consent of Sellers. In any event, Sellers may participate, at their own expense, in any audit or Proceeding related to any Pre-Closing Period, and Buyer may participate, at its own expense, in any audit or Proceeding related to any Taxes which could affect the determination of Taxes to which the Company may be subject in or for any Post-Closing Period.

(c) Straddle Period Contests. In the case of any audit or administrative or judicial Proceeding that relates to any Tax for any Straddle Period, Sellers may elect to direct and control, through counsel of its own choosing, any audit or Proceeding. If Sellers elect to direct such audit or Proceeding, Sellers shall, within thirty (30) days following receipt of notice from Buyer of any such audit or Proceeding, notify Buyer of Sellers' intent to do so, and Buyer shall cooperate and shall cause the Company to fully cooperate, at Sellers' expense, in each phase of the audit or Proceeding. If Sellers elect not to direct such audit or Proceeding, Buyer or the Company, as applicable, may assume control of such audit or Proceeding (at Buyer's expense); provided, however, in such case, Buyer shall provide Sellers with a timely and reasonably detailed account of each phase of the audit or Proceeding, and neither Buyer nor the Company may settle or compromise any asserted liability without the prior written consent of Sellers. In any event, Sellers may participate, at their own expense, in any audit or Proceeding

related to a Straddle Period. Except as provided otherwise in this Section 7.6, Buyer will control, at its own expense, any and all audit, administrative and judicial Proceedings related to the Taxes of the Company.

7.7 Cooperation. Sellers and Buyer shall provide each other, at no charge, with such cooperation and information as either of them reasonably may request of the other (and Buyer shall cause the Company to provide such cooperation and information) in filing any Tax Return, amended Tax Return or claim for refund, determining a liability for Taxes or a right to a refund of Taxes or participating in or conducting any audit or other Proceeding with respect to Taxes. Buyer and Sellers shall preserve and cause to be preserved all information, returns, books, records and documents relating to any liabilities for Taxes with respect to a taxable period until the later of the expiration of all applicable statutes of limitation and extensions thereof, or the conclusion of all litigation with respect to Taxes for such period.

7.8 Payroll Tax. Buyer and Sellers shall, to the extent that the Company is disregarded for such purposes (with respect to employees of the Company) and to the extent possible, treat Buyer as a "successor employer" and Sellers as a "predecessor," within the meaning of IRC Sections 3121(a)(1) and 3306(b)(1), for purposes of Taxes imposed under the United States Federal Unemployment Tax Act or the United States Federal Insurance Contributions Act. Buyer and Sellers agree to take all reasonable actions so as to utilize the "Alternate Procedure" described in Section 5 of Revenue Procedure 2004-53 if applicable for wage reporting purposes. Each of Buyer and Sellers shall cooperate in good faith to adopt similar procedures under applicable state, municipal, county, local, foreign or other laws.

7.9 Termination of Tax Sharing Agreements. All Tax sharing agreements, arrangements, policies and guidelines, whether formal or informal, express or implied, oral or written, to which the Company or Sellers are a party and all obligations of the Company thereunder shall be terminated with respect to the Company and applicable to all Post-Closing Periods, and on the Closing Date the Company shall have no further liability or obligations thereunder with respect to all Post-Closing Periods.

## 8. GENERAL PROVISIONS

8.1 No Reliance on Other Information. Except for the representations and warranties contained in this Agreement, neither Sellers nor any Representative or Affiliate or other Person acting for any of them makes any other representation or warranty, express or implied, with respect to the Company, its assets, liabilities, business, financial condition or prospects, the Securities, any forecasts or projections provided to Buyer or the execution, delivery or performance by Sellers of this Agreement or with respect to the Contemplated Transactions, and Sellers hereby disclaim any such representation or warranty, whether oral or written, whether by Sellers or any of their Representatives or Affiliates or any other Person. Buyer acknowledges that none of the Sellers or any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Company not included in this Agreement or the Disclosure Letter, and neither Sellers nor any other Person will have or be subject to any liability to Buyer or any other Person resulting from the distribution to Buyer, or Buyer's use of, any such information (including, without limitation, any brochures, offering memoranda or other publications distributed in connection with the sale of the Securities or in any presentation by the management of the Company and any estimates of anticipated performance of the Company).

8.2 Expenses. Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel, and accountants. Sellers will be responsible for the $500 landlord fee to consent to an assignment of the lease agreement between Mack-Cali Realty, L.P. and Dental Concepts LLC dated December 6, 1999, as amended by First Amendment to Lease Commencement Date Agreement dated May 18, 2003, as amended by Second Amendment to Lease dated March 28th, 2003.

8.3 Survival. Except as otherwise expressly provided herein, all of the representations, warranties, covenants and agreements of the parties hereto shall survive the execution and delivery of this Agreement and the Closing Date, and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of any other party. The representations and warranties contained in Sections 3.13 (Taxes) and 3.15 (Employee Benefits) shall survive for the period of the applicable statute of limitations (with extensions granted by, or with the consent of, Sellers) with respect to the matters addressed in such sections; and all other representations and warranties shall expire eighteen (18) months following the Closing Date (collectively, the "Survival Period"). The termination of the representations and warranties provided herein shall not affect the rights of a party in respect of any claim made by such party in a writing received by the other party prior to the expiration of the applicable survival period provided herein.

8.4 Public Announcements. Any press release with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Buyer determines.

8.5 Notices. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received or refused by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate by notice to the other parties):

If to Sellers or Sellers' Agent:

Hamilton Investment Partners

375 Park Ave., Ste. 3407

New York, New York 10152

Attention: Doug Hamilton, Managing Partner

Facsimile No.: 646-285-0347

If to Buyer:

Prestige Brands Holdings, Inc.

90 North Broadway

Irvington, New York 10533

Attention: Peter C. Mann

Facsimile No.: 914-524-6802

with a copy to:

Prestige Brands Holdings, Inc.

90 North Broadway

Irvington, New York 10533

Attention: Charles N. Jolly

Facsimile No.: 914-524-6812

8.6 Jurisdiction; Service of Process. Any action or Proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the courts of the State of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or Proceeding and waives any objection to venue laid therein. Process in any action or Proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

8.7 Further Assurances. The parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

8.8 Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific

instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred so in this Agreement.

8.9 Entire Agreement and Modification. This Agreement supersedes all prior agreements between the parties with respect to its subject matter (including the Letter of Intent between Buyer and Sellers dated September 14, 2005) and constitutes (along with the documents referred to in this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment.

8.10 Disclosure Letter. In the event of any inconsistency between the statements in the body of this Agreement and those in the Disclosure Letter, the statements in the Disclosure Letter will control.

8.11 Assignments, Successors and Third-Party Rights. Neither party may assign any of its rights under this Agreement without the prior consent of the other parties (in the case of Buyer, this agreement may not be assigned by Buyer without the prior written consent of Sellers' Agent), except that Buyer may assign any of its rights under this Agreement to any Subsidiary of Buyer, provided that Buyer shall remain liable for all of its obligations pursuant to this Agreement notwithstanding any such assignment. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Except as otherwise provided for in this Agreement, (a) nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement, and (b) this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns. Anything to the contrary herein

notwithstanding, Sellers hereby acknowledge and consent to any collateral assignment of Buyer's rights and interest under this Agreement and any Transaction Documents to Buyer's secured lenders.

8.12 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.13 Section Headings, Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms. All references to the directors of the Company or Sellers shall be deemed also to be references to the managers of the Company or Sellers, as applicable.

8.14 Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

8.15 Governing Law. This Agreement will be governed by the laws of the State of Delaware without regard to conflicts of laws principles.

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

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**SIGNATURE PAGE TO UNIT PURCHASE AGREEMENT**

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

**BUYER**

PRESTIGE BRANDS HOLDINGS, INC.

By: /s/ Peter C. Mann
Name: Peter C. Mann
Title: CEO

**COMPANY**

DENTAL CONCEPTS, LLC

By: /s/ Michael Lesser
Name: Michael Lesser
Title: CEO

**SELLERS**

/s/ Michael Lesser
MICHAEL LESSER

/s/ Richard Gaccione
RICHARD GACCIONE

/s/ Gordon Wade
COMBINED CONSULTANTS DBPT
GORDON WADE

/s/ Douglas A.P. Hamilton
DOUGLAS A.P. HAMILTON

/s/ George O'Neill
GEORGE O'NEILL

/s/ Abby O'Neill
ABBY O'NEILL

/s/ Michael Porter
MICHAEL PORTER

/s/ Marc Cole
MARC COLE

ISLANDIA LP

By: /s/ Islandia LP

**EXHIBITS AND SCHEDULES OMITTED**