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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Direct Trade Imports, Inc.

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)

Name: Connecticut Bank of Commerce

Internal

Address:

Street Address: 90 Broad Street

City: New York State: NY Zip: 10004

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation-State, Other Bank

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date: August 13, 2001

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

76167233

B. Trademark Registration No.(s)

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Nicole Johnson

Internal Address:

Street Address: 61 Broadway - 18th Floor

City: New York State: NY Zip: 10006

6. Total number of applications and registrations involved:

1

7. Total fee (37 CFR 3.41): \$40.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Nicole L. Johnson, Esq.

Name of Person Signing

Nicole Johnson

Signature

October 25, 2001

Date

19

Total number of pages including cover sheet, attachments, and document:

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

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TRANSACTIONAL FINANCING AND SECURITY AGREEMENT

AGREEMENT dated as of August 13, 2001 between CONNECTICUT BANK OF COMMERCE (hereinafter "CBC"), acting through its Trading Alliance Division, and DIRECT TRADE IMPORTS, INC., a California corporation ("the Company").

1. Definitions. The following terms shall have the meanings set forth below when used in this Agreement:

Accounts has the meaning ascribed to that term in section 8(a)(i).

Approved Factor has the meaning ascribed to that term in section 10.

Collateral shall have the meaning ascribed to that term in section 8(a).

Commitment shall have the meaning ascribed to that term in section 2(a).

Conditions Subsequent has the meaning ascribed to that term in section 5(b).

Conditions Subsequent Date has the meaning ascribed to that term in section 5(b).

Credit Period shall have the meaning ascribed to that term section 2(c).

Credit Termination Date shall have the meaning ascribed to that term in section 2(c)

Customer shall mean any person or entity that buys merchandise from the Company.

Eligible Accounts Receivable shall mean and include all accounts (i) which are owned by the Company, (ii) in which CBC holds a perfected security interest subject to no prior Liens, (iii) which arise out of the Company's bona fide sale of goods or rendering of services, (iv) which conform to the representations and warranties contained herein and in the other Loan Documents (as defined below), (v) which are owed by account debtors that are residents of the United States or entities organized under the laws of the United States or any political subdivision thereof (or which are backed by irrevocable letters of credit in form, substance and amount satisfactory to CBC which have been issued by financial institutions satisfactory to CBC), and (vi) which are and at all times continue to be acceptable to CBC in its sole and absolute discretion.

Expenses shall have the meaning ascribed to that term in section 2(c).

Factoring Agreement has the ascribed to that term in the definition of Loan Documents.

Guarantee shall mean a guarantee in form and substance satisfactory to CBC, governed by the laws of the State of New York and executed by a Guarantor and Guarantees shall mean all such guarantees.

Guarantor shall mean each of Edward R. Abramowitz, Daniel O. Raposo and Doris Raposo and Guarantors shall mean all of them.

Letter of Credit shall mean any documentary or standby letter of credit issued, or the issuance of which by another financial institution is arranged, by CBC for the account of the Company hereunder.

Loan and Loans have the meanings ascribed to those terms in § 2(a).

Loan Amount with respect to any Transaction shall mean the sum of (i) the principal amount of the respective initial Loan, (ii) any other Loans anticipated by CBC to be made in connection with such Transaction and (iii) the aggregate amount of fees, interest and other charges anticipated to be payable to CBC in connection with such Transaction in light of its expected tenor.

Loan Documents means collectively this Agreement, any Factoring Agreement between the Company and CBC's Factoring Division now or hereafter in effect (the "Factoring Agreement"), the Letter of Credit

and Security Agreement, the Mortgage, the Guarantees, the Subordination Agreements, the Funds Transfer Agreement and any other instrument or agreement executed in connection herewith or therewith.

Mortgage means a mortgage or deed of trust duly executed by Doris Raposo granting to CBC, as security for her Guarantee and the Obligations, a mortgage on the Property, all improvements and fixtures therein and all other assets specified in the mortgage, such mortgage to be in form and substance satisfactory to CBC and second to no other mortgage, lien, security interest or other impediment other than the WAMU Mortgage.

Obligations shall mean any and all obligations of the Company to CBC arising for any reason, including without limitation, all repayment or reimbursement obligations of the Company relating to Loans made by CBC, obligations arising under the Factoring Agreement, and any other obligations of the Company to CBC, no matter how or when arising, whether fixed or contingent, present or future, together with all Service Fees and any other fees, interest and Expenses hereunder or under any of the other Loan Documents.

Outstanding Advances shall mean on any day when Outstanding Advances are to be determined the sum on that day of the outstanding unpaid amount of (i) reimbursement obligations in respect of drawings made under Letters of Credit, (ii) all other Loans made by CBC to or for the account of the Company hereunder, (iii) unpaid Service Fees, (iv) accrued interest (as posted at the end of each month) and (v) Expenses.

Outstanding Commitments shall mean on any day when Outstanding Commitments are to be determined the sum of (i) the amount available for drawing but not then drawn under all outstanding Letters of Credit and (ii) the amount of other Loans available to the Company in respect of Transactions accepted by CBC that have not then been made, advanced, funded or otherwise paid by CBC to or for the account of the Company.

Outstanding Transaction Obligations with respect to any given Transaction shall mean on any day when Outstanding Transaction Obligations are to be determined with respect to such Transaction the sum of (i) Outstanding Advances with respect to such Transaction on such day and (ii) Outstanding Commitments with respect to such Transaction on such day.

Prime Rate shall mean on any day when the Prime Rate is to be determined the rate fixed by CBC from time to time as its prime commercial lending rate as in effect on such day (it being understood and acknowledged by the Company that the prime commercial lending rate established by CBC from time to time is not necessarily CBC's lowest rate).

Property shall mean the property owned by Doris Raposo located at 20 Cherry Lane, Wilton, CT 06879.

Purchase Order has the meaning ascribed to that term in section 8(a)(i).

Request Letter has the meaning ascribed to that term in section 2(b).

Sale Amount with respect to any Transaction shall mean the net contractual sale price (as anticipated by CBC after, without limitation, giving effect to discounts, allowances, credits and charge-backs) the respective Customer has agreed to pay to the Company for the Secured Merchandise that is the subject of such Transaction (as evidenced by, or which upon delivery pursuant to the respective Purchase Order shall be evidenced by, Eligible Accounts Receivable payable for not less than such amount).

Sale L/C shall mean any and all collateral provided to the Company to secure (i) the sale price of merchandise sold by the Company to a Customer or (ii) the Company's accounts receivable in respect of such merchandise including without limitation letters of credit and guarantees.

Secured Merchandise shall mean any and all merchandise or goods acquired by the Company under any Letter of Credit or other financing provided by CBC.

Service Fee shall have the meaning ascribed to that term in section 3(a).

Subordination Agreement shall mean a Subordination Agreement in form and substance satisfactory to CBC, governed by the laws of the State of New York and executed by a Subordinator and Subordination Agreements shall mean all such subordination agreements.

Subordinator shall mean each of Edward R. Abramowitz and Daniel O. Raposo.

Supplier shall mean any person or entity that sells merchandise to the Company.

Transaction shall mean each and every occasion for which CBC arranges to have a Letter of Credit issued or other Loan made available for the account of the Company.

WAMU Mortgage means that certain Open-End Mortgage Deed dated April 11, 2001 (together with the related Note and other related documents) on the Property in favor of Washington Mutual Bank, F.A. in the amount of \$1,350,000.00.

2. Services. (a) During the Credit Period, CBC hereby agrees, subject to the terms and conditions set forth herein, to extend credit to the Company by means of Letters of Credit or other advances and financings to or for the account of the Company (such Letters of Credit and other advances and financings herein referred to individually as a "Loan" and collectively as "Loans") up to sum which will not, in the aggregate principal amount outstanding at any one time, exceed \$3,000,000 (the "Commitment").

(b) On each occasion when the Company requests a Loan from CBC, the Company shall provide CBC with all necessary information respecting said Transaction substantially in the form of Exhibit A hereto (the "Request Letter"), together with any and all additional information reasonably requested by CBC. CBC shall then notify the Company whether CBC shall, subject to the provisions hereof, make such Loan.

(c) CBC's obligation to make the Loans hereunder shall terminate upon the earlier of (a) the occurrence of any Event of Default or by (b) August 12, 2002, (such last day herein called the "Credit Termination Date"). The term "Credit Period" means the period commencing on the date hereof and ending on the Credit Termination Date. The Credit Period shall be renewable by CBC in its discretion.

(d) The Company may also ask CBC to perform other services for it, in order to save the Company the cost (in terms of both time and money) of training personnel, hiring additional personnel, updating, buying or installing new equipment or computer software or leasing additional space, and in order to assist the Company in completing a Transaction that the Company could not otherwise complete. Among the additional CBC services that the Company may need are the following:

(i) assisting in the submission of the Company's applications for any Letters of Credit, including any and all amendments thereto;

(ii) verifying and structuring any of the Company's orders to Suppliers; arranging for the importation of the Secured Merchandise, including shipping, insurance, customs inspection, duty and warehousing; developing product specifications and arranging for inspections to monitor compliance with the Company's purchase orders therefor;

(iii) verifying Customer purchase orders; and arranging for shipment of the Secured Merchandise to Customers, including insurance and freight;

(iv) collecting payment from Customers for the Secured Merchandise; arranging in certain instances for credit insurance; handling insurance claims; monitoring Customer disputes; and

(v) consulting and advisory services with respect to financial and banking relationships, management, bookkeeping, marketing, sourcing and public relations.

(c) In addition to providing credit accommodations and administrative services to the Company pursuant to this Agreement, CBC may but shall not be obligated to, at the Company's request, make advances to the Company or directly to its suppliers and may also pay various costs and expenses on the Company's behalf, such as freight, inspection, insurance, customs, duty or warehousing charges with respect to Secured Merchandise and credit

insurance or factoring charges with respect to any related accounts. All such amounts, together with any other fees and expenses, including without limitation any costs of collection or enforcement of this Agreement or any of the Obligations hereunder, including without limitation fees and expenses of counsel, are herein defined as "Expenses" which shall be paid by the Company to CBC and are included in Obligations.

3. Service Fees and Minimum Fees; Interest; Expenses; Payments.

(a) Service Fees and Minimum Fees. In consideration of the administrative, collateral management and other non-credit business services provided by CBC to the Company hereunder, the Company agrees to pay to CBC a Service Fee based on the amount of Outstanding Transaction Obligations in respect of each Transaction accepted by CBC. The Service Fee for each Transaction for each calendar month during which there are Outstanding Transaction Obligations for such Transaction on any day in such month shall be one and one-half percent (1.5%) of the average amount of the respective Outstanding Transaction Obligations during such month (such average being the quotient obtained by dividing (i) the sum of the amounts of the Outstanding Transaction Obligations in respect of such Transaction outstanding on each day in such month by (ii) the number of days in such month) provided that for any period as to which the net worth of the Company shall be less than \$400,000 as reported on the Company's audited financial statements for such period, such Service Fee shall be two percent (2%). There shall be a one-time Minimum Service Fee in respect of each Transaction in the amount specified in the form of Request Letter attached as Exhibit A.

(b) Interest. In consideration of Loans made by CBC hereunder, the Company agrees to pay CBC interest on the Outstanding Advances from the date made or incurred until reimbursement in full therefor at the fluctuating rate per annum of two percent (2.0%) above the Prime Rate. Interest shall be calculated on the basis of a 360 day year for the actual number of days elapsed. Interest payable hereunder shall change immediately upon any change in the Prime Rate without notice to the Company.

(c) Expenses. The Company shall pay to CBC the amount of all Expenses.

(d) Payments. Service Fees and Expenses together with all interest due and payable thereon, shall be payable monthly without demand. The Company shall, in respect of each Transaction described in a Request Letter that is accepted by CBC, pay to CBC before and as a condition precedent to the making of the respective Loan for such Transaction the greater of (i) fifty percent (50%) of the estimated Service Fees for such Transaction or (ii) the Minimum Service Fee in respect of such Transaction. All other Outstanding Advances in respect of any given Transaction together with accrued and unpaid interest thereon shall be repaid without demand no later than the earliest of (a) the respective date upon which payment for the underlying transaction is due to the Company under the terms of the respective purchase order, invoice or other document covering such Transaction, (b) the date upon which CBC shall in its sole discretion make demand for earlier payment in which case such payment shall be due upon demand, (c) the Credit Termination Date or (d) the date upon which the Obligations shall become due and payable as provided in § 19(c).

4. Conditions Precedent to Initial Loan. Fulfillment to the satisfaction of CBC of each of the following shall be conditions precedent to the initial Loan hereunder:

- (a) Receipt by CBC of:
- i. this Agreement, duly executed by the Company;
 - ii. a Letter of Credit and Security Agreement in the usual form required by CBC for letter of credit transactions, duly executed by the Company;
 - iii. as to each Guarantor, a Guarantee, duly executed by the respective Guarantor;
 - iv. as to each Subordinator, a Subordination Agreement, duly executed by the respective Subordinator and the Company;
 - v. appropriate Uniform Commercial Code financing statements, duly executed by the Company and in form and number sufficient to enable CBC to perfect its security interest in the Collateral described herein;

- vi. evidence that no financing statements are currently on record in any public office specified by CBC naming the Company or any of its subsidiaries as Debtor, other than financing statements with respect to which CBC shall have received UCC-3 termination statements duly executed by the secured party named therein, including specifically but without limitation termination statements in respect of all financing statements on file showing the Company as debtor and Rosenthal and Rosenthal as secured party;
 - vii. a Funds Transfer Agreement in form and substance satisfactory to CBC (the "Funds Transfer Agreement"), duly executed by the Company, relating to wire transfers;
 - viii. the favorable legal opinions of Charles Blaisdell and Samuel Osowski, counsel to the Company, the Guarantors and the Subordinators, as to such matters as CBC may reasonably require;
 - ix. the Company's certificate of incorporation or articles of association, certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation;
 - x. the By-laws of the Company certified by its Secretary or an Assistant Secretary;
 - xi. the resolutions of the Company, authorizing the execution, delivery and performance of this Agreement and the related documents to which it is a party and the transactions contemplated hereby or thereby, certified by its Secretary or an Assistant Secretary;
 - xii. good standing certificates, as of a recent date, issued with respect to the Company by the Secretary of State or other appropriate official of its jurisdiction of incorporation and of each other jurisdiction in which it is required to be registered or qualified to do business including without limitation the Secretary of State of the State of New York;
 - xiii. an incumbency certificate (with specimen signatures) with respect to the Company;
 - xiv. collateral assignment in form and substance satisfactory to CBC of life insurance policies on the life of Edward Abramowitz in the amount of \$1,000,000;
 - xv. payment in full of the fees and disbursements of counsel to CBC incurred in connection with the preparation of the Loan Documents.
- (b) All legal matters incident to the Loan Documents shall be satisfactory to CBC and its

counsel.

5. Conditions Precedent to Each Loan; Conditions Subsequent. (a) Fulfillment to the satisfaction of CBC of each of the following shall be conditions precedent to each Loan hereunder (including without limitation the initial Loan):

(i) On the proposed date of such Loan, both before and after giving effect thereto, the Company shall be in compliance with all the terms, covenants and conditions of this Agreement, there shall exist no Event of Default (as defined below) under this Agreement and no event which, with the giving of notice or the passage of time or both would constitute an Event of Default (such event herein called a "Default"), and the representations and warranties of the Company and the Guarantors contained herein or in any other document related to this Agreement shall be true in all material respects with the same effect as though such representations and warranties had been made on date of such Loan, and, if CBC so requests, the Company shall have delivered to CBC a certificate to that effect.

(ii) After giving effect to such Loan (the Loan Amount thereof for purposes of clause (3) below), each of the following conditions shall be satisfied:

(1) the Sale Amount with respect to the respective Transaction shall be not less than one hundred and thirty percent (130%) of the Loan Amount with respect to the respective Transaction;

(2) the credit of the respective Customer shall be acceptable to CBC;

(3) the aggregate of all Outstanding Transaction Obligations will not exceed the amount of the Commitment.

(iii) CBC shall have determined that no material adverse change has occurred in the condition or operations (financial or otherwise) of the Company or any Guarantor.

(iv) All legal matters incident to such Loan shall be satisfactory to CBC and its counsel.

(b) In addition to satisfaction of the foregoing conditions, it shall be a condition to the making of any Loan on and after October 12, 2001 (the "Condition Subsequent Date") that:

(i) CBC shall have received:

(1) the Mortgage, duly executed by Doris Raposo, together with evidence satisfactory to CBC, including any necessary consents, that the granting of the mortgage does not violate the terms and conditions of the WAMU Mortgage;

(2) Evidence that the Property is not located in a federally designated special flood hazard area, or if it is so located, a flood insurance policy covering the Property;

(3) A title insurance policy (the "Title Policy") issued on a form acceptable to CBC (or an unconditional commitment to issue such policy) with respect to the Mortgage, which policy shall (1) be issued by an insurer acceptable to CBC, (2) insure CBC's lien under the Mortgage as a valid mortgage lien on the Property, subject only to title exceptions that are acceptable to CBC, for an amount acceptable to the Bank and (3) contain such endorsements and affirmative coverages as shall be required by CBC, together with evidence that the premium with respect to such policy has been paid, copies of any easements and encroachments of record and copies of all zoning and land-use regulations applicable to the Property; and

(4) Such other documents and information in connection with the Mortgage as CBC may reasonably require for the purposes thereof.

(ii) All legal matters incident to such Mortgage and related documents shall be satisfactory to CBC and its counsel.

The foregoing conditions of this § 5(b) are herein referred to as the "Conditions Subsequent".

6. Application of Proceeds. (a) Any amounts received by CBC or any other financial institution designated and approved by CBC in respect of the sale of Secured Merchandise shall be applied by CBC as follows:

(i) first, to the payment in full to CBC of unpaid Service Fees and all accrued and unpaid interest;

(ii) second, to the payment or reimbursement in full of all outstanding Letter of Credit Obligations then due and owing by the Company;

(iii) third, to the reimbursement in full to CBC of all Expenses plus interest thereon and any other outstanding and unpaid Obligations; and

(iv) any remaining amounts shall be promptly paid to the Company by CBC.

(b) Any amount received by the Company in connection with the sale of Secured Merchandise shall be immediately turned over to CBC and paid directly to CBC for application pursuant to subclause (a) of this

Section. The Company shall not factor, assign or grant any security interest in any accounts receivable to any factor for transactions financed by CBC without the prior written consent of CBC. The Company hereby expressly grants CBC the right to set-off against any amount otherwise due the Company under Section 6(a)(iv) any Obligations owed to CBC by the Company under this Agreement or otherwise, and the Company shall remain liable to CBC at all times for any deficiency with respect thereto. If for any reason CBC or an Approved Factor (as defined in section 10 hereunder) does not receive when due or on earlier demand as provided in Section 3(d) an amount in connection with the sale of Secured Merchandise sufficient to reimburse or pay CBC in full for all amounts owing under Section 6(a)(i)-(iii) above, the Company shall on demand pay to CBC an amount equal to any deficiency.

(c) Amounts owing to CBC for the Company's purchases from other CBC clients shall constitute Obligations which are also secured by any collateral in which the Company grants CBC a security interest, including without limitation Collateral covered hereby; and all such amounts due and owing to CBC may be deducted by CBC from the proceeds of such collateral at any time.

7. Applications, Documents. (a) On each occasion on which the Company requests CBC to make a Loan or to furnish any services enumerated in this Agreement in connection with a Transaction, the Company shall execute such additional documents as CBC may require in connection with such Transaction, including in the case of a request for a Letter of Credit a Letter of Credit and Security Agreement (if same has not been previously executed) and a Letter of Credit Application (an "Application") together with any other documentation requested by CBC or the Letter of Credit Issuer or provider of other financial accommodations.

(b) The Company agrees to hold in trust for the benefit of CBC any shipping documents, bills of lading, inspection reports or other similar documents relating to Secured Merchandise, whether provided by CBC or received directly by the Company, (all of the documents described in this subsection (b) are hereinafter referred to as the "Documents"). The Company shall maintain any Documents in its possession as directed by CBC and shall deliver originals or copies thereof to CBC promptly upon request.

8. Grant of Security Interest; Books and Records. (a) As collateral security for all of the Company's Obligations to CBC hereunder or under the Factoring Agreement, whether for fees, costs or expenses or interest on any advances or fees pursuant to this Agreement, or pursuant to the Factoring Agreement or under any other Loan Document, or any other agreement or by operation of law, now existing or hereafter arising or incurred, the Company hereby irrevocably assigns and transfers to CBC, and grants CBC a continuing first priority perfected security interest in all of the Company's personal property and fixtures, whether now or hereafter existing or now owned or hereafter acquired and wherever located, of every kind and description, tangible and intangible, including, without limitation, the following property and assets (all collectively referred to herein as "Collateral"):

(i) all present and future accounts, contract rights, general intangibles, chattel paper, documents and instruments (collectively, "Accounts"), including, without limitation: (A) all monies, securities, guaranties, letters of credit and other collateral together with all proceeds thereof (including without limitation insurance proceeds) delivered to the Company with respect to any Accounts, including, without limitation, Sale L/Cs, (B) all enforcement and other rights and remedies with respect to Accounts, including all rights of stoppage in transit, replevin, reclamation and repossession, (C) all rights to and under Purchase Orders (as defined below) and all related collateral, (D) all trademarks, patents, copyrights, applications or licenses together with all other intellectual property rights of whatever kind or nature of the Company with respect thereto, (E) all federal, state and local tax refund claims, (F) all goods relating to or which by sale have resulted in Accounts, including all returned, reclaimed or repossessed goods, (G) all purchase orders and contracts pursuant to which (1) a Customer has agreed to purchase goods from the Company or (2) the Company has agreed to purchase goods from a Supplier (collectively "Purchase Orders"), and (H) all documents of title, warehouse receipts and other shipping documents and instruments of any kind whatsoever, whether relating to goods in transit or otherwise.

(ii) all of the Company's now owned and hereafter acquired inventory and goods of every kind and description now or hereafter owned or acquired and wherever located, including without limitation, all raw materials, work in process and finished or semi-finished inventory and any other personal property held for sale, exchange or lease or used in connection with the manufacturing, packing, shipping, advertising and selling thereof;

(iii) all of the Company's now owned and hereafter acquired equipment and fixtures of every kind, including, without limitation, all furniture, trade fixtures, office machines, computers (software and hardware), phone equipment, vehicles, machinery, tooling and all additions, substitutions, accessions and replacements thereto;

(iv) all deposit accounts of the Company with any bank or other financial institution and all other claims of the Company against any bank or other financial institution, how or hereafter existing;

(v) all investment property and other financial assets of the Company;

(vi) all present and future books and records relating to any of the above, including, without limitation, ledgers, books of account, records, tapes, cards, computer programs, disks, tapes, printouts, data and all other computer information in the possession or control of the Company, any computer service bureau or other third party; and

(v) all products and proceeds of any of the foregoing in any form, including, without limitation, all insurance proceeds together with any claims against third parties for loss or damage to or destruction of any or all of the foregoing, and all proceeds and rights to payment under any factoring agreement covering any Accounts.

(b) The Company hereby agrees and represents that its books and records shall reflect CBC's interest in Accounts and all other Collateral described in Section 8(a) above and that such books and records shall be made available to CBC for inspection during business hours. The Company shall notify CBC promptly of any matters affecting the value, collectability or enforceability of any Letter of Credit, Sale L/C or Account and of any dispute with any customer and of any offset, defense, counterclaim, return or rejection by any Customer. The Company hereby grants CBC the power to bring suit in the name of CBC or the Company and exercise all other rights as owner of such Accounts, including, but not limited to, the rights to extend the time of payment and settle, compromise or release, in whole or in part, any amounts owing with regard to Secured Merchandise. CBC shall not have any liability in respect of the Accounts.

(c) The Company confirms and acknowledges that, notwithstanding the aforesaid transfer and assignment of, and grant of a security interest in, the Purchase Orders by it to CBC, CBC has not assumed and will not assume or be or become liable for any of the obligations of the Company under the Purchase Orders and the Company shall remain fully liable for the performance of all such obligations, except as specifically set forth herein. The assignment herein of the Purchase Orders is executed only as security for the Obligations and, therefore, the execution and delivery of this Agreement shall not subject CBC to liability, nor in any way affect or modify the liability of the Company, under the Purchase Orders.

(d) Any and all deposits or other sums at any time credited by or due from CBC to Company, whether in regular or special depository accounts or otherwise, shall at all times constitute additional Collateral for the Obligations, and may be set-off by CBC against any Obligations at any time whether or not they are then due and whether or not other Collateral held by CBC is considered to be adequate.

9. Segregation of Merchandise; Insurance. (a) The Company shall keep all Secured Merchandise in the possession of itself or any entity on its behalf segregated from all other goods, and CBC's interest in the Secured Merchandise shall be clearly designated in a manner acceptable to CBC in CBC's sole discretion. The Company shall promptly notify CBC of any alteration, destruction or degradation of the Secured Merchandise and of all Secured Merchandise returned, reclaimed or repossessed, and such Secured Merchandise shall be treated as set forth in the preceding sentence.

(b) At CBC's request, the Company shall at all times until title to the Secured Merchandise has passed to a Customer, keep the Secured Merchandise fully insured at the Company's expense in favor of, and to the satisfaction of, CBC against any loss by fire, theft, or any other risk to which the Secured Merchandise may be subject. The Company shall deposit the insurance policy or policies with CBC on demand. If for any reason any such policy fails to provide for payment of the loss thereunder to CBC, the Company hereby agrees to make any reimbursement for such loss payable to CBC. Company hereby assigns to CBC all the avails and proceeds of each such policy and agrees to accept such avails and proceeds in trust for CBC and to deliver the same promptly to CBC in the exact form received (with Company's endorsement where necessary). Company hereby requests and

authorizes CBC to obtain such insurance on Secured Merchandise, and to name CBC as loss payee, as CBC may in its sole discretion deem advisable. Company agrees to execute and deliver such applications and documents as CBC may request for the purpose of obtaining such insurance. All costs associated with obtaining such insurance shall be deemed Expenses.

10. Sales. (a) The Company shall not sell or agree to sell any Secured Merchandise unless (i) the Customer provides a Sale L/C in form and substance satisfactory to CBC, (ii) a factor approved in writing by CBC (an "Approved Factor") gives credit approval for such sale which is not subsequently withdrawn or (iii) CBC otherwise agrees. The Company, at the time it submits its Request Letter, will indicate to CBC the proposed Customers and will provide CBC with any information regarding the Customers, including their credit history with the Company, as CBC may request.

(b) The Company shall execute and deliver to CBC written assignments, in form and substance satisfactory to CBC, of all Accounts sold or assigned to CBC hereunder promptly upon the delivery of merchandise or rendition of services. The failure to deliver any such assignment shall not, however, have any effect on the security interests granted to CBC hereunder or on any other rights of CBC. The Company shall furnish CBC immediately upon CBC's request with the original and duplicate of all invoices and orders representing Accounts, the original shipping or delivery receipts for all Secured Merchandise sold, together with such other documents and proof of delivery as CBC may require. CBC or its designee may prepare and mail invoices to Customers and all invoices and bills of lading with respect to Accounts shall bear a printed endorsement that the Account has been assigned to and is payable only to CBC or an Approved Factor or to such financial institution as CBC may direct. If the Company receives any remittances with respect to any Accounts, it shall hold same in trust for CBC or its assignee and will immediately deliver to CBC or its assignee the identical check, document, instrument or monies received in the form received.

(c) The Company further represents, warrants and covenants, with respect to all sales of Accounts now or hereafter arising or created, that each such Account will: cover a bona fide sale and delivery of merchandise usually dealt in or sold by the Company or the rendition of services to Customers in the ordinary course of the Company's business; cover merchandise or services which have been received and will be accepted by such Customer without dispute or claim of any kind; not represent a consignment, "guaranteed return" or other type of conditional sale; be for a liquidated amount maturing as stated in such invoice covering said sale and the Company's assignment thereof to CBC; be absolutely enforceable against such Customer free and clear of any condition, offset, deduction, counterclaim, lien or encumbrance except in favor of an Approved Factor; qualify as an Eligible Account Receivable; and that at the time of assignment of any Account the Company shall not be aware of anything detrimental to the relevant Customer's credit. The Company hereby represents, warrants and covenants that it will not re-date any sale or invoice without CBC's prior written approval. If any of the foregoing representations, warranties or covenants are breached or if any dispute or claim arises with the relevant Customer with respect to any of the foregoing, CBC shall have, in addition to all other rights to which CBC is entitled under this Agreement or otherwise, the right to immediately demand from the Company the full amount of the Account so affected and any and all other Accounts payable by the same Customer whether or not yet due. In such event, all Obligations of the Company to CBC shall become immediately due and payable without notice or demand therefor.

11. Further Assurances. The Company (i) shall at CBC's request produce and/or execute or endorse all documents (including, without limitation checks, notes, drafts, and other instruments) and take all such actions which CBC deems in its sole discretion to be necessary or desirable to obtain payment for Secured Merchandise (including, without limitation, to draw under Letters of Credit or Sale L/Cs), effect the assignments and transfers to CBC set forth herein, and perfect and permit CBC to perfect the security interests granted hereby, including without limitation the execution, delivery and filing of all necessary Uniform Commercial Code financing statements or similar notices or filings to perfect or evidence CBC's security interests, (ii) irrevocably authorizes CBC to act as the Company's agent and attorney-in-fact to produce and/or execute or endorse all such documents and take all such actions in the Company's name, with or without designation of CBC's authority, and acknowledges that the Company shall be fully obligated in respect of all such documents and actions as if they were executed or taken by one of the Company's authorized signatories or employees, (iii) authorizes CBC upon the occurrence of an Event of Default hereunder to take any actions which CBC deems in its sole discretion to be necessary or desirable to obtain payment for Secured Merchandise, including, without limitation, at CBC's sole option and discretion, to assume any and all obligations of the Company under any of the Purchase Orders, and to perform any and all acts of the Company which the Company is required or entitled to perform thereunder, (iv) shall give CBC or its assignee full access to inspect, audit and make extracts from and, after any default has occurred, remove from the Company's

through sources other than the Company, such as, without limitation, any development, sales, financing or accounting procedures or methods, CBC computer programs or the identity of any of CBC's customers.

14. Financial Information. The Company hereby agrees to deliver, or cause the Guarantors to deliver, as the case may be, to CBC:

(a) Within ninety (90) days after the last day of each fiscal year of Company, a balance sheet of the Company for the fiscal year then ended and related statements for profit and loss and retained earnings and a reconciliation of net worth and a statement of cash flow for the year then ended, each prepared in accordance with generally accepted accounting principles consistently applied in reasonable detail and audited without qualification by a certified public accountant mutually acceptable to the Company and CBC (the "Accountant");

(b) Within sixty (60) days after the last day of the second fiscal quarter of the Company, the foregoing financial statements for the six month period then ending, unaudited but reviewed by the Accountant;

(c) Within sixty (60) days after the last day of each of the first and third fiscal quarters of the Company, the foregoing internally prepared financial statements for the three or nine month period then ending, certified by the Company's President or Executive Vice President;

(d) Within sixty (60) days of the execution of this agreement and annually within 60 days of the anniversary of the execution of this Agreement and within 60 days after any extension of the term of this Agreement, the personal financial statements the Guarantors and of any other guarantor of the Obligations, completed on CBC's form of personal financial statement.

15. Use of CBC's Name; Use of Company's Name; Power of Attorney. (a) The Company shall not use CBC's name or any adaptation of such name for advertising, trade displays or any other commercial purposes without CBC's prior written consent.

(b) The Company hereby grants to CBC, as consideration for CBC's services hereunder, a royalty free license to use the Company's name and any trademarks, trade names, service marks and registrations thereof in connection with the sale by CBC of Secured Merchandise pursuant to this Agreement. Such license shall continue for so long as this Agreement shall be in effect, provided, however, that if this Agreement shall terminate or any Event of Default (defined below) shall occur hereunder, such license shall continue with respect to any Secured Merchandise then in inventory until all Obligations have been repaid in full.

(c) In addition, the Company hereby appoints CBC or any financial institution designated and approved by CBC and their designees, as the Company's attorney-in-fact to endorse the Company's name on any checks, notes, acceptances, money orders, drafts, drawings or drafts under Sales L/Cs, Letters of Credit and all other forms of payment or security that may come into the possession of CBC or an Approved Factor or financial institution approved in writing by CBC, to sign the Company's name on any invoice or bill of lading relating to any Account and on any drafts drawn against Customers, schedules and assignments of accounts, notices of assignment, financing statements and other public records, verifications of accounts and notices to Customers, and generally, to do, at CBC's option and at the Company's expense, at any time, or from time to time, all acts and things which CBC deems necessary to protect, preserve and realize upon the Secured Merchandise and all other Collateral provided for herein and all proceeds thereof and CBC's security interest therein in order to effect the intent of this Agreement, all as fully and effectually as the Company might or could do. The Company hereby ratifies and approves all acts, which the attorney-in-fact may take hereunder. This power, being coupled with an interest, is irrevocable until all of the Company's Obligations to CBC have been repaid in full.

16. Remedies. It is understood and agreed by and between CBC and the Company that the services to be rendered by CBC under the terms of this Agreement, and the rights and privileges granted to CBC by the Company under the terms of this Agreement, are of a special, unique, extraordinary and intellectual character, which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in any action at law and that a breach by the Company of any such provisions contained in this Agreement will cause CBC irreparable injury and damage. The Company hereby expressly agrees that CBC shall be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach of any provision of this Agreement by the Company. The Company hereby waives any requirement for the securing or posting of any bond by CBC in

connection with such remedies. This provision shall not, however, be construed as a waiver of any of the rights which CBC may have for damages or otherwise.

17. Indemnification. The Company shall indemnify and hold CBC harmless from and against all third party claims, losses, penalties, damages, judgments, costs and expenses (including without limitation CBC's attorneys' and accountants' fees and expenses) relating to, or arising out of, or in connection with this Agreement (including, without limitation those arising out of injuries to persons (including death) and loss, theft, damage to property, and product liability).

18. Subordination. Until all of its Obligations to CBC hereunder shall have been paid in full and completely discharged, the Company shall not, without CBC's prior written consent, incur or create any indebtedness or liabilities for borrowed money which is secured by the assets of the Company other than those which are subordinated to the prior payment and complete satisfaction of the Company's Obligations to CBC and which are evidenced by a written subordination agreement in form and substance satisfactory to CBC.

19. Termination; Events of Default. (a) Notwithstanding any termination of this Agreement, Sections 3, 6, and 8 through 29 shall remain in full force and effect and the entirety of this Agreement shall remain in effect with respect to any Transaction in which CBC has decided to engage prior to the effective date of such termination and until all Obligations shall have been paid in full.

(b) CBC shall have the right to terminate all of its services and obligations to the Company pursuant to this Agreement immediately upon written notice to the Company of the occurrence of any of the following (each an "Event of Default"):

(i) a default by the Company in the payment of any amounts due to CBC hereunder or under any of the other Loan Documents;

(ii) any representation or warranty made by the Company hereunder, under the Factoring Agreement, or in any other agreement, instrument or document executed and delivered in connection herewith or therewith or in any of the other Loan Documents shall prove to be at any time incorrect in any material respect;

(iii) default by the Company in the performance of any condition, agreement or covenant contained herein or in the Factoring Agreement or in any other Loan Documents or in any documents or agreements relating hereto or thereto other than the payment of any amounts due to CBC;

(iv) default by the Company under the terms of any agreement material to the operation of the business of the Company which default is not cured within applicable grace periods set forth in such agreement;

(v) if any of the Company's suppliers of Secured Merchandise do not deliver the Secured Merchandise in accordance with the terms in the orders placed for said Secured Merchandise and such failure has a material adverse effect on Company's business;

(vi) if any Customer purchasing Secured Merchandise from the Company cancels its order therefor, and such order is not replaced with another Customer order reasonably satisfactory to CBC as to terms and conditions (including collateral and credit worthiness of the Customer) within ten days of the date of the cancellation of the original purchase order and such cancellation has a material adverse effect on the Company's business;

(vii) if any Sales L/C Issuer fails or refuses, for any reason, to amend or extend any letter of credit or guarantee opened by it for the Company's account;

(viii) if any security interest granted to CBC hereunder or in any of the other Loan Documents shall cease to continue in full force and effect or if any guarantor or endorser shall revoke or terminate or attempt to revoke or terminate any guarantee or security therefore;

(ix) if the Company or any Guarantor shall be adjudicated bankrupt or insolvent or shall consent to or apply for the appointment of a receiver, trustee or liquidator of the Company or any of its or of any Guarantor's property or shall make an assignment for the benefit of creditors, or shall file a voluntary petition or any answer seeking reorganization or rearrangement in a proceeding under any bankruptcy law, or the Company or its directors or majority stockholders shall take action looking to its own dissolution or liquidation;

(x) the filing of any involuntary petition under any bankruptcy statute by the Company or any Guarantor or the appointment of any receiver, trustee, custodian, liquidator or the like to take possession of the properties of the Company or of any Guarantor, unless such action is set aside or withdrawn or ceases within 30 days from the date of said filing or appointment;

(xi) if the Company incurs any indebtedness for borrowed money subsequent to the date hereof (except for indebtedness to an Approved Factor) that is not subordinated in writing (in form and substance reasonably satisfactory to CBC) to any and all obligations of the Company to CBC;

(xii) the failure of the Company to promptly pay and discharge any judgment or levy of any attachment, execution or other process against its assets in an amount in excess of an aggregate of \$10,000 and such judgment, levy or other process is not satisfied, removed or fully bonded within ten business days after the entry or levy thereof; or

(xiii) failure to satisfy the Conditions Subsequent prior to the Condition Subsequent Date.

(c) If any Event of Default specified in paragraph 19(b) above should occur, CBC, without written notice to the Company, may declare all of its services hereunder to be terminated and declare any and all Obligations due to it hereunder or otherwise (including all fees, costs, expenses and interest) to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company; provided that if any Event of Default specified in subclause (ix) or subclause (x) of said section 19(b) should occur, then said Obligations shall become immediately due and payable automatically, without any action on the part of CBC. After any acceleration, as provided for herein, CBC shall have, in addition to the rights and remedies given it under this Agreement, the other Loan Documents and any other related documents, all rights and remedies allowed by applicable laws, including, without limitation, the Uniform Commercial Code. All rights and remedies set forth herein may be exercised in any order and in any manner that CBC, in its discretion, decides. Any delay by CBC in exercising any remedy available to it shall not constitute a waiver thereof. Without limiting the generality of the foregoing, CBC may immediately, without demand of performance and without notice (except as specifically required under this Agreement or any related documents) or demand whatsoever to the Company all of which are hereby expressly waived:

(i) sell at public or private sale or otherwise realize on all or any part of the Collateral. At least ten days prior notice of any intended public or private sale or other disposition will be given to the Company, which ten day period the Company agrees will be reasonable notice. At any sale or other disposition, CBC may, to the extent permissible under applicable law, purchase all or any part of the Collateral, free from any right of redemption under applicable law, or any right of redemption on the part of the Company, which right the Company waives. All expenses, including without limitation reasonable expenses for legal services, will be deducted from the proceeds of the disposition of any Collateral and CBC will apply the net proceeds, after such deduction, to the satisfaction of the Company's Obligations to CBC. Any remaining proceeds remaining will be distributed as required by applicable law;

(ii) have the Company assemble, at its expense, all Collateral at such place or places as CBC may designate;

(iii) enter the Company's premises and, if necessary in CBC's reasonable judgment, exclude the Company therefrom and/or, take immediate possession of any collateral either personally or by other means using all necessary force to do so and use, operate, manage and control the Collateral in a lawful manner; and/or

(iv) CBC may at any time set off and apply any and all deposits, debt, monies or checks in any currency at any time held or owed by CBC to or for the credit or the account of the Company against

any or all of the Obligations, whether or not such obligations have matured, and whether or not CBC has exercised any other rights that it may have with respect to such obligations.

20. Limitations on CBC Liability. (a) CBC MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE WITH RESPECT TO ANY SECURED MERCHANDISE OR SERVICES. CBC has and will have no liability or responsibility to the Company or any other person with respect to (i) the conformity of any merchandise purchased by the Company to the Company's orders therefor, or to the Customer orders therefor, (ii) the accuracy of any information in any report or statement prepared by CBC at the request of the Company, (iii) the value or collectability of any Accounts, or Sale L/C (iv) the timeliness of presentation of documents under, or the conformity or authenticity of any documents with, any requirements for drawings under Letters of Credit, or (v) any withdrawal of credit approval by an Approved Factor or the withdrawal by any insurance company of (or refusal to issue) credit insurance. Further, CBC is not responsible nor liable for any failure or delay in providing credit or services to Customers nor for any inaccuracy, omission, error, discrepancy, delay, non receipt, or other event, destruction or loss of or affecting any records, documents, Accounts or Secured Merchandise.

(b) CBC's sole liability to the Company shall be for CBC's gross negligence or willful misconduct. To the maximum extent permitted by law, CBC's liability (whether any claim of liability is based on violation of law, breach of contract, negligence, or otherwise) shall in no event exceed the amount actually received by CBC in its sole discretion pursuant to the fees and interest section of this Agreement. In no event shall CBC be liable for indirect, special or consequential damages, even if CBC is advised of the possibility thereof.

(c) The Company has no right or power to incur any liability or obligation on behalf of CBC, and CBC may incur any liability or obligation on behalf of the Company only in accordance with the provisions of this Agreement. CBC's sole function will be to provide in its sole discretion the contemplated credit accommodations and other services. The Company will continue to make all decisions relating to its business, including without limitation sales, pricing and credit.

21. Continuing Representation and Agreements. The representations, warranties, covenants and agreements in this Agreement will be deemed repeated by the Company at the time of any request by the Company for financial accommodations or services provided or arranged by CBC.

22. Notices. All notices, requests, demands, waivers, consents, approvals or other communications under this Agreement will be in writing and will be deemed to have been given when received if delivered personally; in the case of certified or registered mail, return receipt requested, on the fifth business day after the day deposited in the U.S. mail, first class postage prepaid; in the case of tested telex, when the answer back is received; in the case of telegraph, when the telegraph is delivered to the telegraph company; or, in the case of a telecopy, when the telecopy is sent to the appropriate number and the recipient acknowledges receipt by telephone or in writing (i) if to the Company at the address and numbers specified in Schedule A; and (ii) if to CBC, at

Trading Alliance Division of Connecticut Bank of Commerce
90 Broad Street
New York, New York 10004
Attention: Lawrence W. Frohnhoefer, Senior Vice-President
Telephone No.: (212) 858-3450
Telecopier No.: (212) 858-3491

23. Expenses. The Company shall bear and pay all costs and expenses (including attorneys' and accountants' fees and expenses) incurred by CBC in connection with the enforcement and defense of CBC's rights under this Agreement, the other Loan Documents or any documents related hereto or thereto including without limitation enforcement or collection of any of the Obligations or guarantees therefor or foreclosure on any of the Collateral. In addition, the Company shall pay on demand all costs and expenses of the preparation of this Agreement, the other Loan Documents and related documents and any amendments or modifications thereof, including without limitation the fees of CBC's counsel in the preparation of this Agreement, the other Loan Documents and any and all related documents, amendments or modifications, together with all Uniform Commercial Code search and filing fees. All such amounts shall be Expenses hereunder.

24. Reimbursement for Returned Payments. If, as a result of any bankruptcy, dissolution, reorganization, intervention, arrangement or liquidation proceedings (or proceedings with similar purpose or effect), or if for any other reason, any payment received by CBC in respect of any Obligations or liabilities owed by the Company in connection with this Agreement or the other Loan Documents is rescinded or must be returned by CBC, the Company shall fully reimburse CBC for any payment so rescinded or returned and shall pay all costs and expenses incurred by CBC including without limitation all reasonable expenses of CBC's counsel in connection therewith.

25. Assignment. This Agreement binds the Company, its successors and permitted assigns. The Company may not assign any rights or obligations under this Agreement without the prior written consent of CBC. Assignment, for the purposes hereof, includes any merger, consolidation or change in structure of the Company, the sale of all or substantially all of the Company's assets and any material change in control of the Company's stock or membership interests. Any attempted assignment without CBC's written consent shall be null and void and without effect. This Agreement is for the benefit of CBC, its affiliates, successors and assigns; without limiting the generality of the foregoing, CBC may assign any and all of its rights and interests to or related to this Agreement, including its interests in the Collateral.

26. CBC appointed Attorney-in-Fact. The Company appoints CBC as its attorney-in-fact, with full power of substitution, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that CBC may deem advisable to accomplish the purpose hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the above, CBC will have the right and power, in its own name or as attorney-in-fact for the Company, at its option and at the Company expense and risk at any time, or from time to time, to do all acts and things that CBC deems advisable to perfect, protect, preserve and realize upon the Collateral and its security interest therein, and the Company ratifies all that CBC, acting as attorney-in-fact for the Company, shall lawfully do or cause to be done by virtue thereof.

27. Amendment; Waivers. This Agreement may be changed, altered or amended only in writing signed by CBC and the Company. No party to this Agreement will be deemed to have waived any of its rights or remedies by any act, omission, delay or otherwise unless the waiver is in writing and signed by the waiving party.

28. Construction; Governing Law; Consent to Jurisdiction. The headings used in this Agreement are for convenience only and shall not be deemed to constitute a part of this Agreement. This Agreement shall be governed by and construed in accordance with New York law, without giving effect to the principles of conflicts of laws thereof except Sections 5-1401 and 5-1402 of the New York General Obligations Law. The Company hereby irrevocably (a) consents that any legal action or proceeding against it in any manner relating to this Agreement, may be brought in any court of the State of New York located within the Southern District of New York or in the United States District Court for the Southern District of New York or the United States Court of Appeals for the Second Circuit; (b) consents and submits to the personal jurisdiction of any such court in any such action or proceeding; (c) consents to the service of any complaint, summons, notice or other process relating to any such action or proceeding by delivery to it in the manner provided for delivery of notice in this Agreement in the section entitled "Notices"; (d) waives any claim or defense in such action or proceeding based on any alleged lack of personal jurisdiction, improper venue, forum non conveniens, or any similar basis, to the extent permitted by law; (e) agrees that it shall not be entitled in any such action or proceeding to assert any defense given or allowed under the laws of any state other than the State of New York unless such defense is also given or allowed in all its particulars by the laws of the State of New York; and (f) agrees not to bring any action or proceeding against CBC except in such specified courts. CBC and the Company waive trial by jury in any litigation in any court in connection with this Agreement or any transaction it contemplates. However, nothing herein will affect CBC's right to effect service of process in any other manner permitted by law, or to bring any legal proceeding (including a proceeding for enforcement of a judgment entered by any of the mentioned courts) against the Company in any other competent court or jurisdiction.

29. Severability. If any clause or provision of this Agreement is found invalid or unenforceable in any jurisdiction, then only that portion and only that jurisdiction will be affected and for that jurisdiction, the parties agree to substitute a provision and no other, which most closely approximates the relative rights and obligations intended by the parties.

31. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one agreement with the same effect as if the signatures were all on one document.

[Remainder of page intentionally left blank. Signature page follows.]

TRADEMARK

REEL: 002394 FRAME: 0353

30. Entire Agreement. The parties have caused this Agreement to be executed by their duly authorized representatives on the day and year first above written. This Agreement contains the entire understanding of CBC and the Company in respect of the subject matter contained herein and supersedes all their prior agreements, arrangements and understandings.

DIRECT TRADE EXPORT, INC.

By: [Signature]
Name: [Signature]
Title: President

TRADING ALLIANCE DIVISION OF
CONNECTICUT BANK OF COMMERCE

By: [Signature]
Name: Lawrence W. Schatkoeter
Title: SVP

EXHIBIT A
REQUEST LETTER

Trading Alliance Division of Connecticut Bank of Commerce
90 Broad Street
New York, New York 10004
Attn: Lawrence W. Frohnhoefer, Senior Vice-President

Gentlemen:

We refer to the Transactional Financing and Security Agreement between the Trading Alliance Division of Connecticut Bank of Commerce ("CBC") and the undersigned (the "Company") dated as of August 13, 2001 (the "Agreement"). Terms used in this letter that are defined in the Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Agreement. This letter is a Request Letter as defined in, and is subject to the terms and conditions of, the Agreement. Pursuant to the Agreement, we hereby offer for your consideration the following Transaction for the purchase and sale of goods:

Supplier of Product:

Description of Product:

Quantity:

Price:

Terms of purchase:

Delivery:

Buyer of Product:

Terms of sale:

Amount of Letter of Credit/Initial Loan requested:

Additional conditions: The freight forwarder, customs broker and warehouse must sign the standard tri-party agreements. The respective shipment must be insured listing CBC as loss payee. All banking charges are for the Company's account.

CBC terms for Transaction: This Transaction is subject to a minimum Service Fee of \$3,000. The Service Fee for each Transaction for each calendar month during which there are Outstanding Transaction Obligations for such Transaction on any day in such period shall be one and one-half percent (1.5%) of the average amount of the Outstanding Transaction Obligations during such month (two percent (2%) during any period in which the Company's net worth as shown on its audited financials is less than \$400,000). The Company shall pay interest at a fluctuating rate per annum of the Prime Rate plus two percent (2%) on Outstanding Advances, calculated on the basis of a 360 day year for the actual number of days elapsed.

Please indicate your acceptance of this transaction by executing the enclosed copy of this letter and returning it to us.

Very truly yours,

DIRECT TRADE EXPORT, INC.

By: 

Name: Eric J. Bennett

Title: President

Transaction accepted subject to the Agreement

TRADING ALLIANCE DIVISION OF CONNECTICUT BANK OF COMMERCE

By: _____

Name: _____

Title: _____

SCHEDULE A to
Transactional Financing and Security Agreement (the "Agreement")

COMPANY NAME: Direct Trade ^{IMPORTS}~~Export~~, Inc..

Address of Chief Executive Office (and address for Notices section of Agreement):

570 Taxter Road,
Elmsford, NY 10532
Telephone: (914) 345-8700
Facsimile: (914) 345-0761

Address of Principal Place of Business:

Same as above.

Address of warehouse:

STATCO
301 16th Street
Jersey City, NJ 07310

Attn: Jim Marfario