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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Waldner's Business Environments, Inc.

- Individual(s) Association
- General Partnership Limited Partnership
- Corporation-State New York
- Other _____

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

2. Name and address of receiving party(ies)

Name: North Fork Bank

Internal

Address: _____

Street Address: 275 Broadhollow Road

City: Melville State: New York Zip: 11747

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: December 21, 2004

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2287166

Additional number(s) attached Yes No

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

Name: Ivan Braverman

Internal Address: Berkman, Henoch, Peterson & Peddy, P.C.

Street Address: 100 Garden City Plaza

City: Garden City State: New York Zip: 11530

6. Total number of applications and registrations involved:

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

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

20-0052

(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.

Christine Wilsoit
Ivan Braverman

Ivan Braverman
Signature

December 29, 2004

Date

Name of Person Signing

01/03/2005 DRYRNE 00000000 200052 2287166 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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LOAN AND SECURITY AGREEMENT

Date: as of December 21, 2004

Agreement by and between **WALDNER'S BUSINESS ENVIRONMENTS, INC.**, having an address at 125 Route 110, Farmingdale, New York 11735 (the "Debtor") and **NORTH FORK BANK**, a New York State bank, with a place of business at 275 Broad Hollow Road, Melville, New York 11747 (the "Secured Party").

Debtor and Secured Party agree as follows:

1. DEFINITIONS

1.1. **CERTAIN SPECIFIC TERMS.** For purposes of this Agreement, the following terms shall have the following meanings:

- (a) **ACCOUNT DEBTOR** means the person, firm, or entity obligated to pay a Receivable.
- (b) **ADVANCE** means a loan made to Debtor by Secured Party pursuant to this Agreement.
- (c) **BORROWING CAPACITY** means, at the time of computation, the amount specified in **Item 1** of the **Schedule** less the aggregate amount of any banker's acceptances, letters of guaranty, or letters of credit issued by Secured Party, for Debtor's account, in favor of a third party.
- (d) **CONSOLIDATED SUBSIDIARY** means any corporation of which at least 50% of the voting stock is owned by Debtor directly, or indirectly through one or more Consolidated Subsidiaries. If Debtor has no Consolidated Subsidiaries, the provisions of this Agreement relating to Consolidated Subsidiaries shall be inapplicable, without affecting the applicability of such provisions to Debtor alone.
- (e) **CREDIT** means any discount, allowance, credit, rebate, or adjustment granted by Debtor with respect to a Receivable, other than a cash discount described in **Item 2** of the **Schedule**.
- (f) **EXTENSION** means the granting to an Account Debtor of additional time within such Account Debtor is required to pay a Receivable.
- (g) **ENVIRONMENTAL LAWS** means all federal, state, and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances, regulations, codes, and rules relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production, or disposal of

Hazardous Substances and the policies, guidelines, procedures, interpretations, decisions, orders, and directives of federal, state, and local governmental agencies and authorities with respect thereto.

- (h) **ENVIRONMENTAL PERMITS** means all licenses, permits, approvals, authorizations, consents or registrations required by any applicable Environmental Laws and all applicable judicial and administrative orders in connection with ownership, lease, purchase, transfer, closure, use, and/or operation of any property owned, leased or operated by Debtor and/or as may be required for the storage, treatment, generation, transportation, processing, handling, production, or disposal of Hazardous Substances.
- (i) **EVENT OF DEFAULT** means an Event of Default or Events of Default as defined in Section 11.1.
- (j) **HAZARDOUS SUBSTANCES** means, without limitation, any explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, and any other material defined as a hazardous substance in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601(14).
- (k) **INELIGIBLE RECEIVABLES** means the aggregate amount of the following described Receivables, and of any other Receivables which, in the sole reasonable discretion of Secured Party, are not satisfactory for credit or any other reason, such aggregate amount to be computed as of the last business day of the immediately preceding month, or computed at any other time in the sole discretion of Secured Party. Debtor acknowledges that the following description of specific types of ineligible Receivables does not limit Secured Party's discretion at any time to deem other Receivables to be ineligible Receivables.
 - (i) Any Receivable which has remained unpaid for more than the number of days specified in **Item 3** of the **Schedule**.
 - (ii) Any Receivable with respect to which a representation or warranty contained in Sections 4.1, 4.3 and 4.4 was not, or does not continue to be, true and accurate, including, without limitation, any Receivable subject to setoff.
 - (iii) In the sole reasonable discretion of Secured Party, any Receivable with respect to all or part of which a check, promissory note, draft, trade acceptance, or other instrument for the payment of money has been received, presented for

payment, and returned uncollected by reason of stop payment or insufficient funds or such other reason.

- (iv) Any Receivable on which Debtor has extended the time for payment without the consent of Secured Party, except as provided in Section 8.2(a).
- (v) Any Receivable as to which any one or more of the following events occurs respecting a Responsible Party: death or judicial declaration of incompetency; the filing by or against any Responsible Party of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt, or other relief under the bankruptcy, insolvency, or similar laws of the United States, any state or territory thereof, or any foreign jurisdiction, now or hereafter in effect; the making of any general assignment by any Responsible Party for the benefit of creditors; the appointment of a receiver or trustee for any Responsible Party or for any of the assets of a Responsible Party, including, without limitation, the appointment of or taking possession by a "custodian", as defined in the Federal Bankruptcy Code; the institution by or against any Responsible Party of any other type of insolvency proceeding (under the bankruptcy laws of the United States or otherwise) or of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of, any Responsible Party; the sale, assignment, or transfer of all or any material part of the assets of any Responsible Party; the nonpayment by any Responsible Party of debts as they become due; or the cessation of the business of any Responsible Party as a going concern.
- (vi) In the sole reasonable discretion of Secured Party, all Receivables owed by an Account Debtor, if at any time, the percentage specified in **Item 4** of the **Schedule** of the aggregate dollar amount of outstanding Receivables owed by such Account Debtor is classified as ineligible under any criterion set forth in Sections 1.1(k)(i) through 1.1(k)(v) or 1.1(k)(ix) through 1.1(k)(xiii).
- (vii) All Receivables owed by an Account Debtor which does not maintain its chief executive office in the United States, or which is not organized under the laws of the United States or any State, unless otherwise specified in **Item 5** of the **Schedule**.

- (viii) All Receivables of an Account Debtor, if Debtor, or any person who, or entity which, directly or indirectly controls Debtor, either owns in whole or material part, or directly or indirectly controls, such Account Debtor.
- (ix) Any Receivable, if either the perfection, enforceability, or validity of Secured Party's Security Interest in such Receivable, or Secured Party's right or ability to obtain direct payment to Secured Party of the Proceeds of such Receivable, is governed by any federal or state statutory requirements other than those of the Uniform Commercial Code, including, without limitation, any Receivable subject to the Federal Assignment of Claims Act of 1940, as amended.
- (x) Any Receivable arising from a consignment or other arrangement, pursuant to which the subject Inventory is returnable if not sold or otherwise disposed of by the Account Debtor; any Receivable constituting a partial billing under terms providing for payment only after full shipment or performance; any Receivable arising from a bill and hold sale or in connection with any prebilling where the Inventory or services have not been delivered, performed, or accepted by the Account Debtor if Secured Party has not entered into a satisfactory written agreement with such Account Debtor relating to such Receivables; and any Receivable as to which the Account Debtor disputes that the balance reported by Debtor is incorrect or not owing.
- (xi) Any Receivable which is unenforceable in a court of law against the Account Debtor for any reason.
- (xii) Any Receivable which is an Instrument, Document, or Chattel Paper or which is evidenced by a note, draft, trade acceptance, or other instrument for the payment of money where such Instrument, Document, Chattel Paper, note, draft, trade acceptance, or other instrument has not been endorsed and delivered by Debtor to Secured Party.
- (xiii) Any Receivable or Receivables owed by an Account Debtor which exceeds any credit limit established by Secured Party in its sole reasonable discretion for such Account Debtor; provided, that such Receivable or Receivables shall be ineligible only to the extent of such excess;

- (xiv) All Receivables owed by an Account Debtor if 33.4% or more of that Account Debtor's Receivables owed to Debtor have been due and payable for more than 90 days;
 - (xv) Receivables of an Account Debtor that is also an account creditor, up to the amount of any balance owed to the Debtor by that Account Debtor;
 - (xvi) All account balances to any one Account Debtor in excess of 40% of the total aggregate balance of Receivables;
 - (xvii) Receivables that arise from an affiliated account or Receivable.
- (l) **INVENTORY** means inventory as defined in the New York Uniform Commercial Code as in effect as of the date of this Agreement, and in any event shall include returned or repossessed Goods.
- (m) **INVENTORY BORROWING BASE** means, at the time of computation, an amount not exceeding the dollar value of the percentages of Inventory specified in **Item 7** of the **Schedule**, calculated at the lower of the actual cost or market value, accounted for in the manner specified in **Item 6** of the **Schedule**, reduced by (i) the amount of any Inventory reserves required by Secured Party in its sole reasonable discretion, and (ii) the value of any Inventory which is unacceptable to Secured Party. **Eligible Inventory and the value of such Inventory shall be determined by Secured Party in its sole reasonable discretion.**
- (n) **INVOICE** means any document or documents used or to be used to evidence a Receivable.
- (o) **LETTER OF CREDIT** means any documentary or standby letter of credit issued by Secured Party pursuant to Section 2.4 of the Agreement.
- (p) **NORTH FORK BANK BLOCKED ACCOUNT** means that blocked account owned by Secured Party to which Proceeds of Collateral, including, without limitation, payments on Receivables, and other payments from sales or leases of Inventory, are credited, all in accordance with the Blocked Account Agreement.
- (q) **PRIME RATE** means the rate of interest per annum publicly announced by Secured Party from time to time as its prime rate and is a base rate for calculating interest on certain loans.
- (r) **RECEIVABLE** means the right to payment for Goods sold or leased or services rendered by Debtor, whether or not earned by performance, and may,

without limitation, in whole or in part, be in the form of an Account, Chattel Paper, Document, or Instrument.

- (s) **RECEIVABLES BORROWING BASE** means, at the time of its computation, the aggregate amount of the outstanding trade Receivables arising out of Receivables in the United States and Canada and in which Secured Party has a first perfected security interest (adjusted with respect to Credits and returned merchandise as hereinafter provided) less ineligible Receivables.
- (t) **RESPONSIBLE PARTY** means an Account Debtor, a general partner of an Account Debtor or any party in any way directly or indirectly liable for payment of a Receivable.
- (u) **SCHEDULE** means the schedule executed in connection with, and which is a part of, this Agreement.
- (v) **THIRD PARTY** means any person or entity who has executed and delivered, or who in the future may execute and deliver, to Secured Party any agreement, instrument, or document, pursuant to which such person or entity has guaranteed to Secured Party the payment of the Indebtedness or has granted Secured Party a security interest in or lien on some or all of such person's or entity's real or personal property to secure the payment of the Indebtedness.
- (w) **TRANSACTION DOCUMENTS** means this Agreement and all documents, including, without limitation, collateral documents, letter of credit agreements, notes, blocked account agreements, acceptance credit agreements, security agreements, pledges, guaranties, mortgages, title insurance, assignments, and subordination agreements required to be executed by Debtor, any Third Party, or any Responsible Party pursuant hereto or in connection herewith, as may be amended, extended or otherwise modified from time to time.

1.2 **SINGULARS AND PLURALS.** Unless the context otherwise requires, words in the singular include the plural, and in the plural include the singular.

1.3 **U.C.C. DEFINITIONS.** Unless otherwise defined in Section 1.1 or elsewhere in this Agreement, capitalized words shall have the meanings set forth in the New York Uniform Commercial Code as in effect as of the date of this Agreement.

2. **ADVANCES.**

2.1 **REQUESTS FOR AN ADVANCE.**

From time to time, Debtor may make a written request for an Advance (in multiples of \$1,000, and in an amount not less than \$5,000) by 1:00 p.m. on any Business Day, so long as the sum of the aggregate principal balance of outstanding advances and the requested Advance does not exceed the Borrowing Capacity as then computed; and Secured Party shall make such requested Advance (in multiples of \$1,000, and in an amount not less than \$5,000), provided that (i) the Borrowing Capacity would not be so exceeded; (ii) there has not occurred an Event of Default or an event which, with notice or lapse of time or both, would constitute an Event of Default; (iii) all representations and warranties contained in this Agreement and in the other Transaction Documents are true and correct on the date such requested Advance is made as though made on and as of such date; and (iv) along with each written request for Advance, Debtor provides to the Secured Party an updated Borrowing Base Certificate, in form and substance satisfactory to Secured Party, in its sole reasonable discretion. Notwithstanding any other provision of this Agreement, Secured Party may from time to time reduce the percentages applicable to the Receivables Borrowing Base and the Inventory Borrowing Base as they relate to amounts of the Borrowing Capacity if Secured Party determines in its reasonable judgment, that there has been a material adverse change in circumstances related to any or all Receivables or Inventory from those circumstances in existence on or prior to the date of this Agreement or in the financial or other condition of Debtor. Each written request for an Advance shall be conclusively presumed to be made by a person authorized by Debtor to do so, and the making of the Advance to Debtor as hereinafter provided shall conclusively establish Debtor's obligation to repay the Advance.

2.2 **PROCEEDS OF AN ADVANCE.** The proceeds of each Advance will be credited to an operating account of Debtor maintained with Secured Party and designated by Debtor.

2.3 **ESTABLISHMENT OF RESERVES.** Notwithstanding anything to the contrary contained herein, Secured Party may, at any time and from time to time, in its sole reasonable judgment, establish reserves against the Receivables or the Inventory of Debtor. The amount of such reserves shall be subtracted from the Receivables Borrowing Base or Inventory Borrowing Base, as applicable, when calculating the amount of the Borrowing capacity.

2.4 **LETTERS OF CREDIT.** At the request of Debtor, and upon execution of Letter of Credit documentation satisfactory to Secured Party, Secured Party, within the limits of the Borrowing Capacity as then computed, may issue Letters of Credit from time to time for the account of Debtor in an amount not exceeding in the aggregate at any one time outstanding the amount set forth in **Item 15** of the **Schedule**. The Letters of Credit shall be on terms mutually acceptable to Secured Party and Debtor and no Letter of Credit shall have an expiration date later than the termination date of this Agreement. An Advance in an amount equal to any amount paid by Secured Party on any draft drawn under any Letter of Credit shall be deemed made to Debtor, without request therefor, immediately upon any payment by Secured Party on such draft. In

connection with the issuance of Letters of Credit, Debtor shall pay to Secured Party fees set forth in **Item 14** of the **Schedule**.

3. **COLLATERAL AND INDEBTEDNESS SECURED**

3.1 **SECURITY INTEREST.** Debtor hereby grants to Secured Party a security interest (Security Interest) in the following property, wherever located and whether now owned or hereafter acquired by Debtor, (collectively, Collateral):

- (a) All Accounts, Inventory, General Intangibles, Chattel Paper, Equipment, Documents and Instruments, whether or not specifically assigned to Secured Party, including, without limitation, all Receivables.
- (b) All guaranties, collateral, liens on or security interests in real or personal property, leases, letters of credit, and other rights, agreements, or property securing or relating to payment of Receivables.
- (c) All books, records, ledger cards, data processing records, computer software, and other property at any time evidencing or relating to Collateral.
- (d) All monies, securities, and other property, now or hereafter held or received by, or in transit to, Secured Party from or for Debtor, and all of Debtor's deposit accounts, credits, and balances with Secured Party existing at any time.
- (e) All Proceeds of all policies of insurance covering the Collateral.
- (f) All Proceeds and Products of all of the foregoing in any form.

3.2 **OTHER COLLATERAL.** Nothing contained in the Agreement shall limit the rights of Secured Party in and to any other collateral securing the Indebtedness which may have been or may hereafter be granted to Secured Party by Debtor or any Third Party pursuant to any other agreement.

3.3 **INDEBTEDNESS SECURED.** The Security Interest secures payment of any and all indebtedness (the "**Indebtedness**") of Debtor to Secured Party, whether now existing or hereafter incurred, of every kind and character, direct or indirect, and whether such indebtedness is from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred, including, without limitation: (a) all Advances; (b) all interest which accrues on any indebtedness, until payment of such indebtedness in full, including, without limitation, all interest provided for under this Agreement; (c) all other monies payable by Debtor to Secured Party pursuant to this Agreement or the other Transaction Documents; and (d) all debts owed or to be owed by Debtor to others which Secured Party has obtained, or may obtain by assignment and all obligations and agreements of any Third Party to Secured Party, pursuant to any of the Transaction Documents.

4. **REPRESENTATIONS AND WARRANTIES.** To induce Secured Party to enter into this Agreement and make Advances to Debtor from time to time as herein provided, Debtor represents and warrants and, so long as any indebtedness remains unpaid or this Agreement remains in effect, shall be deemed continuously to represent and warrant as follows:

4.1 **VALIDITY OF RECEIVABLES.** (a) Each Receivable is genuine and enforceable in accordance with its terms and represents an undisputed and bona fide indebtedness owing to Debtor by the Account Debtor; (b) there are no defenses, setoffs, or counterclaims against any Receivable; (c) no payment has been received on any Receivable and no Receivable is subject to any Credit or Extension or agreements therefor unless written notice specifying such payment, credit, extension, or agreement has been delivered to Secured Party; (d) each copy of each invoice is a true and genuine copy of the original invoice sent to the Account Debtor named therein and evidences the transaction from which such Receivable arose; and the date payment is due as stated on each such invoice or computed based on the information set forth on each such invoice is correct; (e) all Chattel Paper, promissory notes, drafts, trade acceptances, or other instruments for the payment of money, and each indorsement thereon, are true and genuine and in all respects what they purport to be, and are the valid and binding obligation of all parties thereto; and the date or dates stated on all such items as the date on which payment in whole or in part is due is correct; (f) all Inventory described in the Invoice has been delivered to the Account Debtor or placed for such delivery in the possession of a carrier not owned or controlled directly or indirectly by Debtor; (g) all evidence of the delivery or shipment of Inventory is true and genuine; (h) all services to be performed by Debtor in connection with each Receivable have been performed by Debtor; and (i) all evidence of the performance of such services by Debtor is true and genuine.

4.2 **INVENTORY.** (a) All representations made by Debtor to Secured Party, and all documents and schedule given by Debtor to Secured Party, relating to the description, quantity, quality, condition, and valuation of the Inventory are true and correct; (b) Debtor has not received any Inventory on consignment or approval unless (i) Debtor has delivered written notice to Secured Party describing any Inventory which Debtor has received on consignment or approval, (ii) has marked such Inventory on consignment or approval or has segregated it from all other Inventory, and (iii) has appropriately marked its records to reflect the existence of such inventory on consignment or approval; and (c) other than Inventory in transit from one location specified in **Item 9** of the **Schedule** to another location specified in **Item 9** of the **Schedule**, Inventory is located only at the address or addresses of Debtor set forth at the beginning of this Agreement, the locations specified in **Item 9** of the **Schedule**, or such other place or places as approved by Secured Party in writing.

4.3 **TITLE TO COLLATERAL.** (a) Debtor is the owner of the Collateral free of all security interests, liens, or other encumbrances, except the Security Interest, except the collateral in favor of Steelcase Inc. and the Steelcase Affiliates (as such term is defined in the Subordination Agreement, as hereinafter defined) pursuant to and only

in accordance to that certain intercreditor and security interest subordination agreement ("Subordination Agreement") dated as of even date hereof by and among Steelcase Inc., the Steelcase Affiliates, Secured Party and Debtor, formerly known as D. Waldner Co., Inc. (such collateral in favor of Steelcase Inc. and the Steelcase Affiliates [collectively referred to as "Steelcase"] hereinafter referred to as the "Steelcase Collateral") and except as described in **Item 10** of the **Schedule**; (b) Debtor has the unconditional authority to grant the Security Interest to Secured Party; (c) assuming that all necessary Uniform Commercial Code filings have been made, Secured Party has an enforceable first lien on all Collateral, subordinate only to those security interests, liens or encumbrances described as having priority over the Security Interest in **Item 10** of the **Schedule**; (d) Debtor will not sell, assign, or otherwise transfer or encumber the Collateral or grant a security interest therein, except to Secured Party, Steelcase or except for sales or leases of inventory in the ordinary course of business; and (e) Debtor will defend the Collateral against the claims and demands of all other parties including, without limitation, defenses, setoffs, and counterclaims asserted by any Account Debtor against Debtor or Secured Party.

4.4 **NOTES RECEIVABLE.** No Receivable is evidenced by any note, draft, trade acceptance, or other instrument for the payment of money, except such note, draft, trade acceptance, or other instrument as has been indorsed and delivered by Debtor to Secured Party.

4.5 **PLACE OF BUSINESS.** (a) Debtor is engaged in business operations which are in whole or in part carried on at the address or addresses specified at the beginning of this Agreement; (b) if Debtor has more than one place of business, its chief executive office is at the address specified as such at the beginning of this Agreement; and (c) Debtor's records concerning the Collateral are kept at the address or addresses specified at the beginning of this Agreement or in **Item 11** of the **Schedule**.

4.6 **CORPORATE EXISTENCE.** Debtor is duly organized, validly existing and in good standing under the laws of the State of its incorporation and is duly licensed or qualified to do business and is in good standing in every state in which the nature of its business or ownership of its property requires such licensing or qualification.

4.7 **CORPORATE CAPACITY.** The execution, delivery, and performance of this Agreement and the other Transaction Documents are within Debtor's corporate powers, have been duly authorized by all necessary and appropriate corporate action, and are not in contravention of any law or the terms of Debtor's Certificate of Incorporation or By-Laws, or any amendment thereto, or of any indenture, agreement, undertaking, or other document to which Debtor is a party, or by which Debtor is bound.

4.8 **TRANSACTION DOCUMENTS.** All other representations and warranties contained in the Transaction Documents made by Borrower and/or any Third Party are true and correct in all respects.

- 4.9. **FINANCIAL CONDITION.** Debtor has furnished to Secured Party Debtor's most current financial statements, which statements represent correctly and fairly the results of the operations and transactions of Debtor and the Consolidated Subsidiaries as of the dates, and for the period referred to, and have been prepared in accordance with generally accepted accounting principles consistently applied during each interval involved and from interval to interval ("**GAAP**"). Since the date of such financial statements, there have not been any material adverse changes in the financial condition reflected in such financial statements, except as disclosed in writing by Debtor to Secured Party.
- 4.10. **TAXES.** Except as disclosed in writing by Debtor to Secured Party: (a) all federal and other tax returns required to be filed by Debtor have been filed, and all taxes required by such returns have been paid; and (b) Debtor has not received any notice from the Internal Revenue Service or any other taxing authority proposing additional taxes.
- 4.11. **LITIGATION.** Except as disclosed in **Item 8** of the **Schedule**, there are no actions, suits, proceedings, or investigations pending or, to the knowledge of Debtor, threatened against Debtor or any Consolidated Subsidiary or any basis therefor which, if adversely determined, would, in any case or in the aggregate, materially adversely affect the property, assets, financial condition, or business of Debtor or any Consolidated Subsidiary or materially impair the right or ability of Debtor or any Consolidated Subsidiary to carry on its operations substantially as conducted on the date of this Agreement.
- 4.12. **ENVIRONMENTAL MATTERS.**
- (a) To the best of Debtor's knowledge, no above ground or underground storage tanks containing Hazardous Substances are, or have been located on, any property owned, leased, or operated by Debtor.
 - (b) To the best of Debtor's knowledge, no property owned, leased, or operated by Debtor is, or has been, used for the Disposal of any Hazardous Substance or for the treatment, storage, or Disposal of Hazardous Substances.
 - (c) To the Debtor's knowledge, no Release of a Hazardous Substance has occurred, or is threatened on, at, or from any property owned, leased, or operated by Debtor.
 - (d) To the best of Debtor's knowledge, Debtor is not subject to any existing, pending, or, to the Debtor's knowledge, threatened suit, claim, notice of violation, or request for information under any Environmental Law nor has Debtor provided any notice or information under any Environmental Law.

(e) Debtor is in compliance with, and to the extent applicable, have obtained all Environmental Permits required by, all Environmental Laws.

4.13. **TRADEMARKS AND PATENTS.** Debtor and each Consolidated Subsidiary possesses all trademarks, trademark rights, patents, patent rights, tradenames, tradename rights and copyrights that are required to conduct its business as now conducted without conflict with the rights or claimed rights of others. A list of the foregoing is set forth in **Item 27** of the **Schedule**.

4.14. **CONTINGENT LIABILITIES.** There are no suretyship agreements, guaranties, or other contingent liabilities of Debtor or any Consolidated Subsidiary which are not disclosed by the financial statements described in **Items 21** and **23** of the **Schedule**.

4.15. **COMPLIANCE WITH LAWS.** Debtor is in compliance with all applicable laws, rules, regulations, and other legal requirements with respect to its business and the use, maintenance and operations of the real and personal property owned or leased by it in the conduct of its business.

4.16. **LICENSES, PERMITS, ETC.** Each franchise, grant, approval, authorization, license, permit, easement, consent, certificate, and order of and registration, declaration, and filing with, any court, governmental body or authority, or other person or entity required for or in connection with the conduct of Debtor's and each Consolidated Subsidiary's business as now conducted is in full force and effect.

4.17. **LABOR CONTRACTS.** Neither Debtor nor any Consolidated Subsidiary is a party to any collective bargaining agreement or to any existing or threatened labor dispute or controversies except as set forth in **Item 28** of the **Schedule**.

5. **CERTAIN DOCUMENTS TO BE DELIVERED TO SECURED PARTY.**

5.1 **RECEIVABLES SCHEDULE.** Debtor shall make and furnish to Secured Party monthly, within fifteen (15) calendar days of the end of the month, or more frequently, if requested by Secured Party, schedules describing the Invoices issued by Debtor since the last schedule submitted to Secured Party, Borrowing Base Certificates, collection reports, deposit receipts, and schedule of all payments received, all such schedules to be in form and content satisfactory to Secured Party. The schedules to be provided under this Section 5.1 are solely for the convenience of Secured Party in administering this Agreement and maintaining records of the Collateral. Debtor's failure to provide Secured Party with any such schedule shall not affect the Security Interest.

5.2 **INVOICES.** If requested by Secured Party:

(a) Debtor shall cause all of its Invoices, including the copies thereof, to be printed and to bear consecutive numbers and shall prepare and issue its invoices in such consecutive numerical order.

- (b) All copies of Invoices not previously delivered to Secured Party shall be delivered to Secured Party with each schedule of Receivables.
- (c) Copies of all Invoices which are voided or cancelled or which for any other reason do not evidence a Receivable shall be included in such delivery.
- (d) If any Invoice or copy thereof is lost, destroyed, or otherwise unavailable, Debtor shall explain in writing, in form satisfactory to Secured Party, accounting for such missing invoice.

5.3 **MONTHLY AGING REPORT.** Within fifteen (15) calendar days after the end of each month, Debtor shall submit to Secured Party an aging report in form satisfactory to Secured Party showing the amounts due and owing on all Receivables according to Debtor's records at the close of such month, together with monthly reconciliation and accounts payable agings and such other information as Secured Party may require. If Debtor's monthly aging reports and such other reports are prepared by an accounting service or other agent, Debtor hereby authorizes such service or agent to deliver such aging reports, other reports and any other related documents to Secured Party.

5.4 **INVENTORY REPORTS.** Debtor shall make and furnish to Secured Party monthly, within fifteen (15) calendar days of the end of the month, or more frequently, if requested by Secured Party, a report, in form satisfactory to Secured Party, describing all Inventory by nature, value (based on lower of cost or market value), quantity, and location, together with such other information as Secured Party may require.

5.5 **NOTES OR OTHER INSTRUMENTS.** Each note, draft, trade acceptance, or other instrument for the payment of money, evidencing a Receivable, shall be delivered to Secured Party with the schedule listing the Receivable which it evidences and shall be indorsed by Debtor to the order of Secured Party.

5.6 **CHATTEL PAPER.** The original of each item of Chattel Paper, evidencing a Receivable, shall be delivered to Secured Party with the schedule listing the Receivable which it evidences, together with an assignment of such Chattel Paper by Debtor to the Secured Party, such assignment to be in form reasonably satisfactory to Secured Party.

5.7 **OTHER DOCUMENTS.** Debtor shall deliver to Secured Party all documents specified in **Item 12** of the **Schedule**, as frequently as indicated therein, or at such other times as Secured Party may reasonably request, and all other documents and information reasonably requested by Secured Party.

6. **COLLECTIONS.**

- 6.1 **DELIVERY OF PROCEEDS TO SECURED PARTY.** Upon request by Secured Party, any Proceeds of Collateral received by Debtor, including, without limitation, payments on Receivables and other payments from sales or leases of Inventory, shall be held by Debtor in trust for Secured Party in the same medium in which received, shall not be commingled with any assets of Debtor and shall be delivered immediately to Secured Party.
- 6.2 **NORTH FORK BANK BLOCKED ACCOUNT.** Upon receipt of Proceeds of Collateral, Debtor shall deposit such Proceeds into the North Fork Bank Blocked Account (also referred to herein as the "Blocked Account") pursuant to the terms of the North Fork Bank Blocked Account Agreement by and between Debtor and Secured Party dated of even date hereof, as the same may be modified from time to time ("North Fork Bank Blocked Account Agreement" or "Blocked Account Agreement"). Secured Party shall withdraw funds from the Blocked Account in accordance with the terms of the Blocked Account Agreement. The provisions of the Blocked Account Agreement are incorporated herein by this reference.
- 6.3 **DEBTOR TO FORWARD SCHEDULES TO SECURED PARTY.** Whenever Debtor delivers payments on Receivables and other payments from sales or leases of Inventory to Secured Party, whether directly or indirectly by deposit to the North Fork Bank Blocked Account, such payments shall be accompanied by a schedule, consisting of a copy of Debtor's cash receipt journal covering such payments, collection reports and deposit receipts, all in form satisfactory to Secured Party, certified to be correct by an authorized officer of Debtor. Individual cash receipt journals shall be segregated by the months in which payments reflected thereon are received by Debtor.

7. **PAYMENT OF PRINCIPAL, INTEREST, FEES AND EXPENSES.**

- 7.1 **PROMISSORY NOTE.** Upon execution of this Agreement, Debtor shall execute and deliver to Secured Party a promissory note in the form of Exhibit A hereto.
- 7.2 **INTEREST.** The principal of Advances from time to time unpaid shall bear interest at the per annum rate specified in **Item 13** of the **Schedule**. Any change in the interest rate on the Advances resulting from a change in the Prime Rate shall be effective on the date of the change in the Prime Rate. Interest shall be computed on the daily unpaid principal balance of such Advances. Interest shall be calculated for each calendar day at 1/360th of the applicable per annum rate the result of which will be an effective per annum rate higher than that specified in the Schedule. Upon failure to pay the Advances when due, Debtor shall pay interest at a per annum rate of the Default Rate, as specified in **Item 13** of the **Schedule**. In no event, shall the rate of interest exceed the maximum rate permitted by applicable law. If Debtor pays to Secured Party interest in excess of the amount permitted by applicable law, such excess shall be applied in reduction of the principal of Advances made pursuant to this Agreement.

7.3 **PROMISE TO PAY EXPENSES.**

- (a) Debtor agrees to pay to Secured Party, on demand, all costs and expenses as provided in this Agreement, and all other costs and expenses incurred by Secured Party from time to time in connection with this Agreement, including, without limitation, Secured Party's customary fees and expenses incurred, for auditing Debtor's books and records and inspecting the Collateral, including without limiting the foregoing, any fees specified in **Item 14** of the **Schedule** on the applicable due dates also specified in **Item 14** of the **Schedule**.
- (b) Without limiting Section 7.3(a), Debtor also agrees to pay to Secured Party, on demand, the actual reasonable fees and actual disbursements incurred by Secured Party for attorneys retained by Secured Party for advice, suit, appeal, or insolvency or other proceedings under the Federal Bankruptcy Code or otherwise, or in connection with any purpose specified in Section 7.3(a) of this Agreement.
- (c) Payment of all monies due and to become due under this Section 7.3 is secured by the Collateral.

7.4 **METHOD OF PAYMENT OF PRINCIPAL, INTEREST, COSTS AND EXPENSES.** Without limiting Debtor's obligation to pay on demand at maturity or upon an Event of Default the principal of Advances, interest, and costs and expenses, the following provisions shall apply to the payment thereof:

- (a) **Payment of Principal.** Debtor authorizes Secured Party to apply the funds in the Blocked Account to the unpaid principal of Advances in accordance with the terms of the North Fork Bank Blocked Account Agreement. For the purposes of determining availability, remittances or other payments of the Indebtedness, upon Secured Party's receipt of Proceeds of Collateral, including payments on Receivables and other payments from sales or leases of Inventory, Secured Party shall credit such remittance or other payment to the loan account of Debtor maintained by Secured Party (also called Schedule of Advances and payments) and the Borrowing Capacity (and Borrowing Base) to which they relate, subject to final payment and collection.
- (b) **Payment of Interest, Costs, Fees and Expenses.**
 - (i) Debtor shall pay interest and costs and expenses on the first business day of each month. Debtor authorizes Secured Party to automatic debit a designated operating account of Debtor maintained at Secured Party for payment of all such items pursuant to the automatic debit agreement dated as of even date hereof by and between the Debtor and the Secured Party, as may be modified from time to time (the "Authorization to charge Account Without Authorization").

- (ii) If there is insufficient funds in such designated operating account of Debtor for payment of all such items when due, Debtor authorizes Secured Party to, at Secured Party's election: (a) charge such items to any operating account of Debtor maintained with Secured Party; (b) make an Advance to pay for such items, which Advance, Secured Party, in its sole discretion, may make to Debtor; or (c) withdraw funds from, or apply the funds in, the Blocked Account pursuant to the terms hereof and of the North Fork Bank Blocked Account Agreement to the payment of such items.
- (iii) If any payment of interest is not made within ten days after its due date, Debtor will pay Secured Party, on demand, a late charge equal to 5% of the overdue payment.
- (c) Notwithstanding any provision of this Agreement, Secured Party, in its sole reasonable discretion, shall determine the manner and amount of application of payments and credits, if any, to be made on all or part of any component or components of the Indebtedness, whether principal, interest, costs and expenses, or otherwise.

7.5 **COMPUTATION OF DAILY OUTSTANDING BALANCE.** For the purpose of calculating the aggregate principal balance of outstanding Advances under Section 2.1(a), Advances shall be deemed to be paid on the date that funds from the Blocked Account are credited to Advances pursuant to the terms of the North Fork Bank Blocked Account Agreement; provided, however, for the purpose of calculating interest payable by Debtor, funds from the Blocked Account shall be withdrawn by Secured Party to pay Advances two (2) business days after such remittances and/or of such other payments are deposited (next day after deposit for all in-state checks) funds received by electronic submission before 1 P.M. will be credited on the same business day and the amount of interest payable will be adjusted by Secured Party from time to time accordingly. Notwithstanding any other provision of this Agreement, if any instrument presented for collection by Secured Party is not honored, Secured Party may reverse any provisional credit which has been given for the instrument and make appropriate adjustments to the amount of interest due.

8. **PROCEDURES AFTER SCHEDULING RECEIVABLES.** The provisions contained in this Article 8, other than Sections 8.1 and 8.2, shall be effective only if Secured Party elects to have any or all of them become effective by giving written notice of such election to Debtor.

8.1 **RETURNED MERCHANDISE.** Debtor shall notify Secured Party immediately of the return, rejection, repossession, stoppage in transit, loss damage, or destruction of any inventory which in any instance or series of related instances constitutes in excess of 5% of the total dollar amount of all Receivables of Debtor at the time of such occurrence. In addition to making appropriate adjustments to the Receivable

Borrowing Base and the Inventory Borrowing Base to reflect the return of any Inventory, Secured Party may, in its sole reasonable discretion, request Debtor to pay to Secured Party an amount equal to the consideration to have been paid for any returned inventory by the Account Debtor, such payment to be applied directly to unpaid Advances. If Debtor fails, either in whole or in part, to comply with Secured Party's request to pay to Secured Party the consideration to have been paid for such Inventory, Secured Party may charge the amount of such consideration (or so much thereof as Debtor may not have paid to Secured Party) to any deposit account of Debtor maintained with Secured Party.

8.2 CREDITS AND EXTENSIONS.

- (a) **Granting of Credits and Extensions.** Debtor may grant such Credits and such Extensions as are ordinary in the usual course of Debtor's business, without the prior consent of Secured Party; provided, however, that any such Extension shall not extend the time for payment beyond 30 days after the original due date as shown on the invoice evidencing the Receivable, or as computed based on the information set forth on such Invoice, and further, provided, however, that any such Credits or Extensions shall not in any instance or series of related instances result in a reduction or reductions, or extend, a Receivable or Receivables which constitute(s) in excess of 5% of the total dollar amount of all Receivables of Debtor at the time of such Credits or Extensions.
- (b) **Accounting for Credits and Extensions.** At Secured Party's request, Debtor shall make full accounting of the granting of such Credits and Extensions, including a brief description of the reasons therefor and a copy of all credit memoranda. Such accounting shall be on such form as Secured Party may require and shall be delivered to Secured Party within seven days of Secured Party's request. All credit memoranda issued by Debtor shall be numbered consecutively, and copies of the same, when delivered to Secured Party, shall be in numerical order and accounted for in the same manner as provided in Section 5.2 with respect to Invoices.
- (c) **Adjustment to Receivables Borrowing Base.** Upon the presentation of such accounting for Credits and Extensions, the Receivables Borrowing Base will be reduced by the amount of such Credits and may, in the sole reasonable discretion of Secured Party, be reduced by the full amount of any Receivables for which Extensions were granted. Debtor shall pay to Secured Party with each such report an amount equal to the aggregate of such reductions of the Receivables Borrowing Base, such payment to be applied directly to the Advances; or Secured Party may waive its right to such payment where, after such reductions of the Receivables Borrowing Base, the total outstanding Advances of Debtor under this Agreement do not exceed the Borrowing Capacity as then computed. When Debtor fails, either in whole or in part, to pay to Secured Party an amount equal to the aggregate of such reductions to

the Receivables Borrowing Base and Secured Party has not waived the same, Secured Party may charge such amount (or so much thereof as Debtor may not have paid to Secured Party) to any deposit account of the Debtor maintained with Secured Party.

8.3 **RETURNED INSTRUMENTS.** In the event that any check or other instrument received in payment of a Receivable shall be returned uncollected for any reason, Secured Party may, in its sole reasonable discretion, again forward the same for collection or return the same to Debtor. If such check or instrument is returned to Debtor, Secured Party may charge any deposit account of Debtor in the amount of the same or may treat such check or instrument or so much thereof as has not been paid by such charge, as an Advance, and Debtor shall pay Secured Party, promptly therefor. Upon receipt of a returned check or instrument by Debtor, Debtor shall immediately make the necessary entries on its books and records to reinstate the Receivable as outstanding and unpaid, and immediately notify Secured Party of such entries. Pursuant to Section 1.1(g)(iii), Secured Party in its discretion may consider such Receivable an Ineligible Receivable.

8.4 **DEBIT MEMORANDA.**

- (a) Debtor shall deliver to Secured Party copies of all debit memoranda issued by Debtor.
- (b) Unless Secured Party otherwise notifies Debtor in writing, Debtor shall deliver at least weekly to Secured Party, together with the schedule of Receivables provided for in Section 5.1, copies of all debit memoranda issued by Debtor since the last such debit memoranda delivered to Secured Party.
- (c) All debit memoranda issued by Debtor shall be numbered consecutively, and copies of the same, when delivered to Secured Party, shall be in numerical order and accounted for in the same manner as provided in Section 5.2 with respect to invoices.

8.5 **NOTES RECEIVABLE.** Debtor shall not accept any note or other instrument (except a check or other instrument for the immediate payment of money) with respect to any Receivable, without the prior written consent of Secured Party. If Secured Party consents to the acceptance of any such note or instrument, the same shall be considered as evidence of the Receivable subject to the Security Interest and shall not constitute payment of such Receivable, and Debtor shall forthwith indorse such note or instrument to the order of Secured Party and deliver the same to Secured Party. Upon collection, the proceeds of such note or instrument may be credited by Secured Party to the North Fork Payment Account or applied directly to unpaid Advances, interest, and costs and expenses, as provided in Section 7.4 hereof.

9. **AFFIRMATIVE COVENANTS.** So long as any part of the Indebtedness remains unpaid, or this Agreement remains in effect, Debtor shall comply with the covenants contained in

Item 16 of the **Schedule**, or elsewhere in this Agreement, and with the covenants listed below:

9.1 **FINANCIAL STATEMENTS.** Debtor shall furnish to Secured Party:

- (a) Within 120 days after the end of Debtor's fiscal years, unless otherwise specified in **Item 17** of the **Schedule**, and as of the end of such year, the annual audited consolidated and consolidating financial statements of Debtor and any Consolidated Subsidiary fairly presenting Debtor's and any such Consolidated Subsidiary's financial position, which statement shall consist of a balance sheet, an income statement, a reconciliation of equity accounts, and a statement of changes in financial position covering the period of Debtor's immediately preceding fiscal year, and which shall be in the form specified in **Item 18** of the **Schedule**. Along with such financial statements, Debtor shall deliver a non-default (and compliance certificate), certified as correct and accurate by the chief financial officer of the Debtor, certifying among other things, compliance with the financial covenants set forth in **Item 16** of the **Schedule**.
- (b) No later than fifteen (15) days before the beginning of the new fiscal year, the annual budget for Debtor, prepared on a quarterly basis, consisting of a balance sheet, statement of cash flow and statement of earnings, and containing such other information as the Secured Party may reasonably request.
- (c) Unless otherwise specified in **Item 19** of the **Schedule**, within 60 days after the end of each fiscal quarter end, quarterly financial statements of Debtor and any Consolidated Subsidiary as of the end of such quarter fairly presenting Debtor's and any such Consolidated Subsidiary's financial position, which statement shall consist of a balance sheet, an income statement, a reconciliation of equity accounts, and a statement of changes in financial position covering the period from the end of the immediately preceding fiscal year to the end of such second fiscal quarter, all in such detail as Secured Party may request and certified to be correct by the President or Chief Fiscal Officer of Debtor or other financial officer satisfactory to Secured Party. Along with such financial statements, Debtor shall deliver a non-default (and compliance certificate), certified as correct and accurate by the chief financial officer or President of the Debtor, certifying among other things, compliance with the financial covenants set forth in **Item 16** of the **Schedule**.
- (d) Promptly, after their preparation, and if applicable, copies of any and all proxy statements, financial statements, and reports which Debtor sends to its shareholders, and copies of any and all periodic and special reports, as well as registration statements, if any, which Debtor files with the Securities and Exchange Commission.

- (e) Such additional information as Secured Party may from time to time reasonably request regarding the financial and business affairs of the Debtor or any Consolidated Subsidiary, or Third Party, including without limitation, such information specified in **Item 19** of the **Schedule**.
- (f) cause Stephen Waldner ("Guarantor") to provide to the Secured Party, (i) within one hundred twenty (120) days after the end of each calendar year end, the annual signed personal financial statements of the Guarantor; such statements may not be combined with another who is not a Guarantor hereunder and must otherwise be in form and substance reasonably satisfactory to Secured Party and certified (as to best knowledge) as accurate by Guarantor, and (ii) the annual federal tax returns of Guarantor, inclusive of certain of the schedules, within thirty (30) days of filing, but if the IRS grants an extension past April 15th, proof of the granting of such extension, and in such event, delivery of such tax returns to the Secured Party within thirty (30) days of filing.

9.2 **GOVERNMENT AND OTHER SPECIAL RECEIVABLES.** Debtor shall promptly notify Secured Party in writing of the existence of any Receivable if either the perfection, enforceability, or validity of Secured Party's Security Interest in such Receivable, or Secured Party's right or ability to obtain direct payment to Secured Party of the Proceeds of such Receivable, is governed by any federal or state statutory requirements other than those of the Uniform Commercial Code, including, without limitation, any Receivable subject to the Federal Assignment of Claims Act of 1940, as amended.

9.3 **TERMS OF SALE.** The terms on which sales or leases giving rise to Receivables are made shall be as specified in **Items 2 and 20 of the Schedule**.

9.4 **BOOKS AND RECORDS.** Debtor will maintain, at its own cost and expense, accurate and complete records with respect to the Collateral, in form satisfactory to Secured Party, and including, but not limited to, records of all payments received and all Credits and Extensions granted with respect to the Receivables, of the return, rejection, repossession, stoppage in transit, loss damage or destruction of any Inventory and of all other dealings affecting the Collateral. Debtor shall deliver such books and records to Secured Party or its representative on reasonable request. At Secured Party's reasonable request, Debtor shall mark all or any records to indicate the Security Interest. Debtor will further indicate the Security Interest on all financial statements issued by it or shall cause the Security Interest to be so indicated by its accountants. The North Fork Payment Account, if any, is not an asset of Debtor and shall not be shown as an asset of Debtor in such books and records or in such financial statements.

9.5 **INVENTORY IN POSSESSION OF THIRD PARTIES.** If any Inventory remains in the hands or control of any of Debtor's agents, finishers, contractors, or processors, or any other third party, Debtor, if requested by Secured Party, shall notify such party of Secured Party's Security Interest in the Inventory and shall instruct such party to hold such Inventory for the account of Secured Party and subject to the instructions of Secured Party.

9.6 **EXAMINATIONS.** Debtor shall, at Debtor's sole cost and expense, at all times during normal business hours upon prior notice and from time to time, but, prior to the occurrence of an Event of Default, no more than once each calendar year, permit Secured Party or its agents to inspect the Collateral and to examine and make extracts from or copies of any of Debtor's books, ledgers, reports, correspondence, and other records. The cost of such examination to Debtor shall not exceed Five Thousand Five Hundred and 00/100 Dollars (\$5,500.00) per calendar year prior to the occurrence of an Event of Default.

9.7 **INSURANCE.**

(a) Debtor shall carry insurance against risks, in coverage, form and amount, and by insurer, satisfactory to Secured Party.

(b) Debtor shall deliver to Secured Party the policies of insurance required by Secured Party, with appropriate endorsements designating Secured Party as an additional insured or loss payee requested by Secured Party. Each policy shall provide that if such insurance is cancelled for any reason whatsoever, or if any substantial change is made in the coverage which affects Secured Party, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Secured Party until 30 days after receipt by Secured Party of written notice from the insurer thereof.

9.8 **NOTICE OF NON-COMPLIANCE.** Debtor shall notify Secured Party in writing of any failure by Debtor to comply with any provision of this Agreement.

9.9 **VERIFICATION OF COLLATERAL.** Secured Party shall have the right to verify all or any Collateral in any manner and through any medium Secured Party may consider appropriate and Debtor agrees to furnish all assistance and information and perform any acts which Secured Party may require in connection therewith.

9.10 **RESPONSIBLE PARTIES.** Debtor shall notify Secured Party of the occurrence of any event specified in Section 1.1(g)(v) with respect to any Account Debtor promptly after receiving notice thereof.

9.11 **TAXES.**

- (a) Debtor shall promptly pay and discharge all of its taxes, assessments, and other governmental charges prior to the date on which penalties are attached thereto, establish adequate reserves for the payment of such taxes, assessment and other governmental charges, make all required withholding and other tax deposits, and, upon request, provide Secured Party with receipts or other proof that any or all of such taxes, assessment, or governmental charges have been paid in a timely fashion; provided, however, that nothing contained herein shall require the payment of any tax, assessment, or other governmental charge so long as its validity is being contested in good faith and by appropriate proceedings diligently conducted.
- (b) Debtor shall cause each Consolidated Subsidiary to comply with this Section 9.11 with respect to the affairs of such Consolidated Subsidiary.

9.12 LITIGATION.

- (a) Debtor shall promptly notify Secured Party in writing of any litigation, proceeding, or counterclaim against, or of any investigation of, Debtor or any Consolidated Subsidiary, if: (i) the outcome of such litigation, proceeding, counterclaim, or investigation may materially and adversely affect the finances or operations of Debtor or any Consolidated Subsidiary; or (ii) such litigation, proceeding, counterclaim, or investigation questions the validity of this Agreement or any document executed or delivered in connection herewith, or any action taken or to be taken pursuant thereto.
- (b) Debtor shall furnish to Secured Party such information regarding any such litigation, proceeding, counterclaim, or investigation as Secured Party may request.

10. **NEGATIVE COVENANTS.** So long as any part of the Indebtedness remains unpaid, or this Agreement remains in effect, Debtor, without the written consent of Secured Party, shall not violate any covenant contained in **Item 16 of the Schedule** and shall not:

10.1 **LOCATION OF INVENTORY AND BUSINESS RECORDS WITHIN THE UNITED STATES.** Without first delivering a landlord waiver and consent in the same form as those previously delivered to Secured Party with respect to such location, move the Inventory or the records concerning the Collateral from the location where they are kept as specified in this Agreement, and if such new location is outside the United States, so long as Secured Party receives thirty (30) days prior written notice of such move.

10.2 **BORROWED MONEY.** Create, incur, assume, or suffer to exist any liability for borrowed money, except to Secured Party, except for purchase money security interests granted to third parties (or equipment leasing) in connection with capital expenditures not to exceed \$450,000 in the aggregate per fiscal year, except for certain shareholder obligations as specified and described in the shareholder

agreement delivered to Secured Party prior to execution of this Agreement, and except as may be specified in **Item 21** of the **Schedule**.

- 10.3 **INVESTMENTS AND ADVANCES.** Make any investment in or advances to any other person, firm, or corporation, except (a) advance payments or deposits against purchases made in the ordinary course of Debtor's regular business; (b) direct obligations of the United States of America; (c) any existing investments in, or existing advances to, the Consolidated Subsidiaries or (d) any investments or advances that may be specified in **Item 22** of the **Schedule**.
- 10.4 **GUARANTIES.** Become a guarantor, surety, or otherwise liable for the debts or other obligations of any other person, firm, or corporation, whether by agreement to purchase indebtedness, or agreement for furnishing funds through the purchase of goods, supplies or services (or by way of stock purchase, capital contribution, advance, or loan) for the purpose of paying or discharging the indebtedness or obligation of any other perform, firm, or corporation, or otherwise, except as an endorser of instruments for the payment of money deposited to its bank account for collection in the ordinary course of business and except as may be specified in **Item 23** of the **Schedule**.
- 10.5 **NAME CHANGE.** Change its name without giving thirty (30) days prior written notice of its proposed new name to Secured Party.
- 10.6 **STORING THE COLLATERAL.** Place the Collateral in any warehouse which may issue a negotiable Document with respect thereto.
- 10.7 **USE OF COLLATERAL.** Use the Collateral in violation of any provision of this Agreement, of any applicable statute, regulation, or ordinance, or of any policy insuring the Collateral.
- 10.8 **MERGERS, CONSOLIDATIONS OR SALES.** Merge or consolidate with or into any corporation; or enter into any joint venture or partnership with any person, firm or corporation; or convey, lease, or sell all or any material portion of its property or assets or business to any other person, firm, or corporation, except in the ordinary course of its business; or convey, lease, or sell any of its assets to any person, firm or corporation for less than the fair market value thereof.
- 10.9. **SECURITY INTEREST AND OTHER ENCUMBRANCES.** Create, incur, assume, or suffer to exist any mortgage, security interest, lien, or other encumbrance upon any of its properties or assets, whether now owned or hereafter acquired, except mortgages, security interests, liens, and encumbrances in favor of Secured Party, except with respect to the Steelcase Collateral, in favor of Secured Party and Steelcase, and except for purchase money security interests granted to third parties in connection with capital expenditures, not to exceed Four Hundred Fifty Thousand and 00/100 Dollars (\$450,000.00) per fiscal year.

- 10.10 **CAPITAL EXPENDITURES.** Make or incur any capital expenditures in any fiscal year without the written permission of Secured Party in each instance, except for capital expenditures annually not in excess of Four Hundred Fifty Thousand and 00/100 Dollars (\$450,000.00) each fiscal year.
- 10.11. **DISPOSITION OF COLLATERAL.** Sell, assign, or otherwise transfer, dispose of, or encumber the Collateral or any interest therein, or grant a security interest therein, or license thereof, except to Secured Party, except with respect to the Steelcase Collateral, in favor of Secured Party and Steelcase, and except the sale or lease of Inventory in the ordinary course of business of Debtor and in accordance with the terms of this Agreement, and except for purchase money security interests granted to third parties in accordance with the terms of this Agreement.

11. EVENTS OF DEFAULT.

- 11.1. **EVENTS OF DEFAULT.** The occurrence of any one or more of the following events shall constitute an event of default (individually, an Event of Default and, collectively, Events of Default):
- (a) **Nonpayment.** Nonpayment when due of any principal, interest, premium, fee, cost, or expense due under the Transaction Documents.
 - (b) **Negative Covenants.** Default in the observance of any of the covenants or agreements of Debtor contained in Article 10.
 - (c) **Article 6.** Default in the observance of any of the covenants or agreements of Debtor contained in Article 6.
 - (d) **Other Covenants.** Default in the observance of any of the covenants or agreements of Debtor contained in the Transaction Documents, other than in Article 10, Article 6 or Sections 7.1, 7.2, 7.3, or 7.4, or in any other agreement with Secured Party which is not remedied within the earlier of thirty (30) days after (i) notice thereof by Secured Party to Debtor, or (ii) the date Debtor was required to give notice to Secured Party under Section 9.8.
 - (e) **Cessation of Business or Voluntary Insolvency Proceedings.** The (i) cessation of operations of Debtor's business as conducted on the date of this Agreement; (ii) filing by Debtor of a petition or request for liquidation, reorganization, arrangement, adjudication as a bankrupt, relief as a debtor, or other relief under the bankruptcy, insolvency, or similar laws of the United States of America or any state or territory thereof or any foreign jurisdiction now or hereafter in effect; (iii) making by Debtor of a general assignment for the benefit of creditors; (iv) consent by the Debtor to the appointment of a receiver or trustee, including, without limitation, a "custodian," as defined in the Federal Bankruptcy Code, for Debtor or any of Debtor's assets; (v) making of any, or sending of any, notice of any intended bulk sale by Debtor;

or (vi) execution by Debtor of a consent to any other type of insolvency proceeding (under the Federal Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, or settlement of, claims against or winding up of affairs of, Debtor.

- (f) **Involuntary Insolvency Proceedings.** (i) The appointment of a receiver, trustee, custodian, or officer performing similar functions, including, without limitation, a "custodian," as defined in the Federal Bankruptcy Code, for Debtor or any of Debtors assets; or the filing against Debtor of a request or petition for liquidation, reorganization, arrangement, adjudication as a bankrupt, or other relief under the bankruptcy, insolvency, or similar laws of the United States of America, any state or territory thereof, or any foreign jurisdiction now or hereafter in effect; or of any other type of insolvency proceeding (under the Federal Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of Debtor shall be instituted against Debtor; and (ii) such appointment shall not be vacated, or such petition or proceeding shall not be dismissed, within sixty (60) days after such appointment, filing, or institution.
- (g) **Other Indebtedness and Agreements.** Failure by Debtor to pay, when due, (or, if permitted by the terms of any applicable documentation, within any applicable grace period) any indebtedness owing by Debtor to Secured Party or any other person or entity in excess of One Hundred Thousand and 00/100 Dollars (\$100,000.00) (other than the Indebtedness incurred, pursuant to this Agreement, and including, without limitation, indebtedness evidencing a deferred purchase price), whether such indebtedness shall become due by scheduled maturity, by required prepayment, by acceleration, by demand, or otherwise, or failure by the Debtor to perform any term, covenant, or agreement on its part to be performed under any agreement or instrument (other than a Transaction Document) evidencing or securing or relating to any indebtedness owing by Debtor when required to be performed if the effect of such failure is to permit the holder to accelerate the maturity of such indebtedness.
- (h) **Judgments.** Any judgment or judgments in excess of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) against Debtor (other than any judgment for which Debtor is fully insured) shall remain unpaid, unstayed on appeal, undischarged, unbonded, or undismissed for a period of sixty (60) days.
- (i) **Pension Default.** Any Reportable Event which Secured Party shall determine in good faith constitutes grounds for the termination of any Pension Plan by the Pension Benefit Guaranty Corporation, or for the appointment by an appropriate United States district court of a trustee to administer any Pension Plan, shall occur and shall continue sixty (60) days

after written notice thereof to Debtor by Secured Party; or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan; or a trustee shall be appointed by an appropriate United States district court to administer any Pension Plan; or any Pension Plan shall be terminated; or Debtor or any Consolidated Subsidiary shall withdraw from a Pension Plan in a complete withdrawal or a partial withdrawal; or there shall arise vested unfunded liabilities under any Pension Plan that, in the good faith opinion of Secured Party, have or will or might have a material adverse effect on the finances or operations of Debtor; or Debtor or any Consolidated Subsidiary shall fail to pay to any Pension Plan any contribution which it is obligated to pay under the terms of such plan or any agreement or which is required to meet statutory minimum funding standards.

- (j) **Collateral; Impairment.** There shall occur with respect to the Collateral any (i) misappropriation, conversion, diversion, or fraud; (ii) levy, seizure, or attachment; or (iii) material loss, theft, or damage.
- (k) **Insecurity; Change.** Secured Party shall believe in good faith that the prospect of payment of all, or any part, of the Indebtedness or performance of Debtor's obligations under the Transaction Documents or any other agreement between Secured Party and Debtor is impaired in any material respect; or there shall occur any materially adverse change in the business or financial condition of Debtor.
- (l) **Third Party Default.** There shall occur with respect to any Guarantor or any Consolidated Subsidiary, (i) any event described in Section 11.1(e), 11.1(f), 11.1(g), or 11.1(h); (ii) any pension default event such as described in Section 11.1(i) with respect to any pension plan maintained by such Guarantor or such Consolidated Subsidiary; or (iii) any failure by Guarantor or such Consolidated Subsidiary to perform in accordance with the terms of any agreement between such Guarantor or Consolidated Subsidiary, as the case may be, and Secured Party.
- (m) **Representations.** Any certificate, statement, representation, warranty, or financial statement furnished by, or on behalf of, Debtor or any Third Party, pursuant to, or in connection with, this Agreement (including, without limitation, representations and warranties contained herein) or as an inducement to Secured Party to enter into this Agreement or any other lending agreement with Debtor shall prove to have been false in any material respect at the time as of which the facts therein set forth were certified or to have omitted any substantial contingent or unliquidated liability or claim against Debtor or any such Third Party, or if on the date of the execution of this Agreement there shall have been any materially adverse change in any of the facts disclosed by any such statement or certificate which shall not have

been disclosed in writing to Secured Party at, or prior to, the time of such execution.

- (n) **Challenge to Validity.** Debtor or any Third Party commences any action or proceeding to contest the validity or enforceability of any Transaction Document or any lien or security interest granted or obligations evidenced by any Transaction Document.
- (o) **Death or Incapacity; Termination.** Any Third Party terminates or attempts to terminate, in accordance with its terms or otherwise, any guaranty or other Transaction Document executed by such Third Party, or sixty (60) days after any Third Party dies or becomes incapacitated.
- (p) **Change of Ownership.** If all, or a controlling interest of, the capital stock of Debtor shall be sold, assigned, or otherwise transferred or if a security interest or other encumbrance shall be granted or otherwise acquired therein or with respect thereto.
- (q) **Other Defaults.** The defaults specified in **Item 26** of the **Schedule**.

11.2. EFFECTS OF AN EVENT OF DEFAULT.

- (a) Upon the happening of one or more Events of Default (except an Event of Default under either Section 11.1(e) or 11.1(f)), and after any applicable cure period, Secured Party may declare any obligations it may have hereunder to be cancelled, and the principal of the Indebtedness then outstanding to be immediately due and payable, together with all interest thereon and costs and expenses accruing under the Transaction Documents. Upon such declaration, any obligations Secured Party may have hereunder shall be immediately cancelled, and the Indebtedness then outstanding shall become immediately due and payable without presentation, demand, or further notice of any kind to Debtor.
- (b) Upon the happening of one or more Events of Default under Section 11.1(e) or 11.1(f), Secured Party's obligations hereunder shall be cancelled immediately, automatically, and without notice, and the Indebtedness then outstanding shall become immediately due and payable without presentation, demand, or notice of any kind to the Debtor.

12. SECURED PARTY'S RIGHTS AND REMEDIES.

- 12.1 **GENERALLY.** Secured Party's rights and remedies with respect to the Collateral shall be those of a secured party under the New York Uniform Commercial Code and under any other applicable law, as the same may from time to time be in effect, in addition to those rights granted herein and in any other agreement between Debtor and Secured Party now or hereafter in effect.

12.2 **NOTIFICATION OF ACCOUNT DEBTORS.** Secured Party may, at any time after an Event of Default, notify any or all Account Debtors of the security interest and may direct such Account Debtors to make all payments on Receivables directly to Secured Party.

12.3 **POSSESSING OF COLLATERAL.** Whenever Secured Party may take possession of the Collateral pursuant to Section 11.1 Secured Party may take possession of the Collateral on Debtor's premises or may remove the Collateral or any part thereof to such other places as the Secured Party may in its sole discretion determine. If requested by Secured Party, Debtor shall assemble the Collateral and deliver it to Secured Party at such place as may be designated by Secured Party.

12.4 **COLLECTION OF RECEIVABLES.** Secured Party, may, following an Event of Default, demand, collect, and sue for all monies and proceeds due or to become due on the Receivables (in either Debtor's or Secured Party's name at the latter's option) with the right to enforce, compromise, settle, or discharge any or all Receivables.

12.5 **ENDORSEMENT OF CHECKS; DEBTOR'S MAIL.** Debtor, after an Event of Default, hereby irrevocably appoints Secured Party the Debtor's agent with full power, in the same manner, to the same extent and with the same effect as if Debtor were to do the same: to endorse Debtor's name on any instruments or Documents pertaining to any Collateral; to receive and collect all mail addressed to Debtor; to direct the place of delivery of such mail to any location designated by Secured Party; to open such mail; to remove all contents therefrom; and to retain all contents thereof constituting or relating to the Collateral. This agency is unconditional and shall not terminate until all of the Indebtedness is paid in full and this Agreement has been terminated. Secured Party agrees to give Debtor prior notice of its intention to exercise this agency, except with respect to the indorsement of Debtor's name on any instruments or documents pertaining to any Collateral.

13. MISCELLANEOUS.

13.1 **PERFECTING THE SECURITY INTEREST; PROTECTING THE COLLATERAL.** Debtor will execute and deliver to Secured Party such financing statements, assignments, and other documents and will do such other things in connection with this Agreement as Secured Party may request. Debtor hereby authorizes Secured Party to file such financing statement or statements relating to the Collateral without Debtor's signature thereon as Secured Party may deem appropriate, and appoints Secured Party as Debtor's attorney-in-fact (without requiring Secured Party) to execute any such financing statement or statements in Debtor's name and to perform all other acts which Secured Party deems appropriate to perfect and continue the Security Interest and to protect, preserve, and realize upon the Collateral.

- 13.2 **PERFORMANCE OF DEBTOR'S DUTIES.** Upon Debtor's failure to perform any of its duties under this Agreement, Secured Party may, but shall not be obligated to, perform any or all such duties.
- 13.3 Without in any way requiring notice to be given in the following manner, Debtor agrees that any notice by Secured Party of sale, disposition, or other intended action hereunder or in connection herewith, whether required by the New York Uniform Commercial Code or otherwise, shall constitute reasonable notice to Debtor if such notice is mailed by regular or certified mail, postage prepaid, at least ten (10) business days prior to such action, to Debtor's address or addresses specified above or to any other address which Debtor has specified in writing to Secured Party as the address to which notices hereunder shall be given to Debtor.
- 13.4 **WAIVER BY SECURED PARTY.** No course of dealing between Debtor and Secured Party and no delay or omission by Secured Party in exercising any right or remedy hereunder or with respect to any indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or exercise of any other right or remedy. All rights and remedies of Secured Party are cumulative.
- 13.5 **WAIVER BY DEBTOR.** Secured Party shall have no obligation to take, and Debtor shall have the sole responsibility for taking, any and all steps to preserve rights against any and all Account Debtors and against any and all prior parties to any note, Chattel Paper, draft, trade acceptance, or other instrument for the payment of money covered by the Security Interest whether or not in Secured Party's possession. Secured Party shall not be responsible to Debtor for loss or damage resulting from Secured Party's failure to enforce any Receivables or to collect any moneys due or to become due thereunder or other Proceeds constituting Collateral hereunder. Debtor waives protest of any note, check, draft, trade acceptance, or other instrument for the payment of money constituting Collateral at any time held by Secured Party on which Debtor is in any way liable and waives notice of any other action taken by Secured Party.
- 13.6 **SETOFF.** Without limiting any other right of Secured Party, whenever Secured Party has the right to declare any Indebtedness to be immediately due and payable (whether or not it has so declared), Secured Party at its sole election may setoff against the Indebtedness any and all moneys then or thereafter owed to Debtor by Secured Party in any capacity, whether or not the Indebtedness or the obligation to pay such moneys owed by Secured Party is then due, and Secured Party shall be deemed to have exercised such right of setoff immediately at the time of such election even though any charge therefor is made or entered on Secured Party's records subsequent thereto.
- 13.7 **ASSIGNMENT.** The rights and benefits of Secured Party hereunder shall, if Secured Party so agrees, inure to any party acquiring any interest in the Indebtedness or any part thereof.

- 13.8 **SUCCESSORS AND ASSIGNS.** Secured Party and Debtor as used herein shall include the successors or assigns of those parties.
- 13.9 **MODIFICATION.** This Agreement, including, without limitation, any provisions set forth in **Item 26** of the **Schedule**, is intended by Debtor and Secured Party to be the final, complete and exclusive expression of the agreement between Secured Party and Debtor. No modification, rescission, waiver, release, or amendment of any provision of this Agreement shall be made, except by a written agreement signed by Debtor and a duly authorized officer of Secured Party.
- 13.10 **COUNTERPARTS.** This Agreement may be executed in any number of counterparts, and by Secured Party and Debtor on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one in the same Agreement.
- 13.11 **APPLICABLE LAW.** This Agreement and the transaction evidenced hereby shall be governed by and construed under the internal laws of the State of New York without regard to principles of conflicts of laws, as the same may from time to time be in effect, including, without limitation, the New York Uniform Commercial Code.
- 13.12 **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.** Any financial calculation to be made, and all books and records to be kept in connection with the provisions of this Agreement, shall be in accordance with generally accepted accounting principles consistently applied during each interval and from interval to interval.
- 13.13 **CONSENT TO JURISDICTION.** Debtor agrees that any action or proceeding to enforce or arising out of this Agreement may be commenced in the Supreme Court of New York in any county, or in the District Court of the United States in any district, in which Secured Party has an office, and Debtor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and shall confer personal jurisdiction if served by registered or certified mail to Debtor, or as otherwise provided by the laws of the State of New York or the United State.
- 13.14 **JURY TRIAL WAIVER.** Debtor and Secured Party waive any right to trial by jury they may have in any action or proceeding, in law or equity, in connection with this Agreement, or the transactions related hereto.
- 13.15 **INDEMNIFICATION.** If after receipt of any payment of all or any part of the Indebtedness, Secured Party is for any reason compelled to surrender such payments to any person or entity, because such payment is determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, this Agreement shall continue in full force and Debtor shall be liable to, and shall indemnify and hold Secured Party harmless for, the amount of such payment surrendered. The provisions of this Section shall be and remain effective

notwithstanding any contrary action which may have been taken by Secured Party in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Secured Party's rights under this Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable. The provisions of this Section shall survive the termination of this Agreement.

13.16 **TERMINATION, PREPAYMENT PREMIUM.**

- (a) **Termination.** This Agreement is, and is intended to be, a continuing Agreement and shall remain in full force and effect for an initial term equal to the term set forth in **Item 24** of the **Schedule** and for any renewal term also specified in **Item 24** of the **Schedule**; provided, however, that either party may terminate this Agreement as of the end of the initial term or any subsequent renewal term by giving the other party notice to terminate in writing at least sixty (60) days prior to the end of any such period whereupon at the end of such period all Indebtedness shall be due and payable in full without presentation, demand, or further notice of any kind, whether or not all or any part of such Indebtedness is otherwise due and payable pursuant to the agreement or instrument evidencing same. Secured Party may terminate this Agreement immediately and without notice upon the occurrence of an Event of Default. Notwithstanding the foregoing or anything in this Agreement or elsewhere to the contrary, the Security Interest, Secured Party's rights and remedies under the Transaction Documents and Debtor's obligations and liabilities under the Transaction Documents, shall survive any termination of this Agreement and shall remain in full force and effect until all of the Indebtedness outstanding, or contracted or committed for (whether or not outstanding), before the receipt of such notice by Secured Party, and any extensions or renewals thereof (whether made before or after receipt of such notice), together with interest accruing thereon after such notice, shall be finally and irrevocably paid in full. No Collateral shall be released or financing statement terminated until: (i) such final and irrevocable payment in full of the Indebtedness as described in the preceding sentence; and (ii) Debtor and Secured Party execute a mutual general release, subject to Section 13.15 of this Agreement, in form and substance satisfactory to the Secured Party and Debtor and their counsel.
- (b) **Prepayment Premium.** If Debtor pays in full all of the principal balance of Advances prior to the end of the initial term or any renewal term of this Agreement as set forth in **Item 24** of the **Schedule**, other than temporarily from funds generated in the ordinary course of business, at the time of any such payment Debtor shall also pay to Secured Party the prepayment premium set forth in **Item 25** of the **Schedule**. Any tender of payment in full of such principal balance following an acceleration by Secured Party of the Indebtedness, pursuant to Section 11.2 shall be, for purposes of this Section 13.16(b), deemed to be considered a prepayment requiring Debtor to pay the prepayment premium set forth in **Item 25** of the **Schedule**.

13.17 OBLIGATIONS OF DEBTOR.

Debtor hereby unconditionally and irrevocably waives and releases any and all "claims" arising under (and as defined in Section 101(4) or any successor provision of) the Bankruptcy Code (Title 11, United States Code, as amended) as a co-obligor, guarantor, surety or pledgor against the other Debtor now or hereafter arising out of or pertaining directly or indirectly to this Note, any

guaranty, or the transaction to which any relate, including (without limitation) those claims arising from rights of subrogation, indemnity, reimbursement or contribution against the other Debtor.

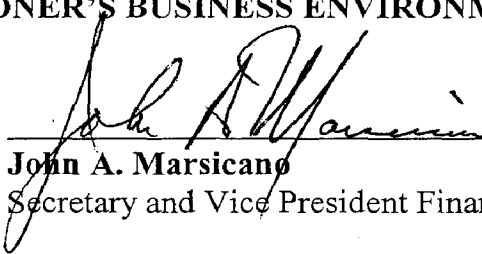
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The undersigned have executed this Agreement on the date referred to above.

Debtor:

WALDNER'S BUSINESS ENVIRONMENTS, INC.

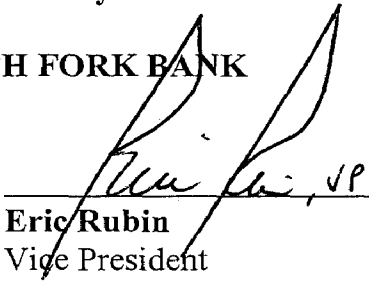
By: _____


John A. Marsicano
Secretary and Vice President Finance

Secured Party:

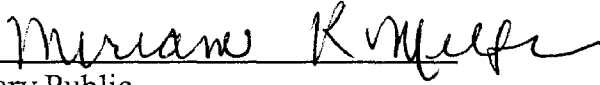
NORTH FORK BANK

By: _____


Eric Rubin
Vice President

STATE OF NEW YORK)
) SS:
COUNTY OF SUFFOLK)

On the 21st day of December, 2004 before me, the undersigned a Notary Public in and for said State, personally appeared **John A. Marsicano**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.




Notary Public

MIRIAM R. MILGROM
Notary Public, State of New York
No. 02MI4952878
Qualified in Kings County
Commission Expires September 20, 2005

STATE OF NEW YORK)
) SS:
COUNTY OF SUFFOLK)

On the 21st day of December, 2004 before me, the undersigned a Notary Public in and for said State, personally appeared **Eric Rubin**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

MIRIAM R. MILGROM
Notary Public, State of New York
No. 02MI4952878
Qualified in Kings County
Commission Expires September 20, 2005

SCHEDULE

This Schedule is a part of a Loan and Security Agreement ("Agreement"), dated as of December 21, 2004, by and between WALDNER'S BUSINESS ENVIRONMENTS, INC. ("Debtor") and NORTH FORK BANK ("Secured Party").

1. Borrowing Capacity (§ 1.1(c))

Borrowing Capacity at any time will be the net amount determined by taking the lesser of the following amounts:

(A) \$10,000,000.00

or

(B) the amount equal to the sum of:

(i) up to 85% of the Receivables Borrowing Base; and

(ii) up to 65% of pre-sold Inventory, not to exceed \$2,000,000 and 10% of stock Inventory, not to exceed \$500,000

and subtracting from the lesser of (A) or (B) above, the sum of (a) 100% of the aggregate stated amount of all letters of credit, not to exceed \$250,000, plus (b) the aggregate amount that Secured Party shall reserve against from time to time pursuant to Section 2.3 of the Agreement.

2. Cash Discount (§§ 1.1(e) & 9.3)

Maximum Cash Discount of 0%

3. Receivables -- Age (§ 1.1(k)(i))

90 days after the X invoice date, or ___ due date shown on the invoice evidencing the applicable Receivable; notwithstanding the above, with respect to Accounts of Account Debtors pre-approved in writing by Secured Party, in its sole and absolute discretion, 120 days after the X invoice date.

Nothing herein is intended to modify or delete what constitutes Ineligible Receivables as set out in Section 1.1(k) of the Agreement.

4. Doubtful Account Percentage (§ 1.1(k)(vi))

33.4% or more;

5. Permissible Foreign Account Debtors (§ 1.1(k)(vii))

None, except for Canadian Accounts, and so long as the following conditions have been met: (i) all other terms and conditions for the Accounts being Eligible Accounts (i.e., within the Receivables Borrowing Base) have been met, (ii) if applicable, the Receivables have been properly registered in the Canadian province where such Receivables were deemed generated, in accordance with the Personal Property Act, and (iii) the Account Debtors have been approved in writing by Secured Party, in its sole reasonable discretion.

6. Inventory Accounting (§ 1.1(m))

First-in, first-out (FIFO)

Last-in, first-out (LIFO)

Other as specified below:

7. Inventory Borrowing Base (§ 1.1(m))

The following percentages of dollar value (calculated at the lower of actual cost or market value) are applicable to the following category of Eligible Inventory only:

(a) finished and pre-sold Inventory located in the United States and so long as Secured Party has a perfected first security interest in the Inventory, to the extent of up to 65% of such pre-sold Inventory, not to exceed \$2,000,000, and (b) finished goods located in the United States and so long as Secured Party has a perfected first security interest in such stocked Inventory, to the extent of up to 10%, not to exceed \$500,000 with (a) and (b) representing the Inventory Borrowing Base.

8. Schedule of Litigation (§ 4.11)

U.S. Bankruptcy Court, Southern District of New York, Bankruptcy Petition # 01-10910-rdd North American Telecommunications Corporation; Debtor added as secured creditor on 02/12/2003

Consolidated Subsidiaries:

n/a

9. Location of Inventory (§ 4.2(c))

125 Route 110, Farmingdale, New York 11735; 205-215 Lexington Avenue, New York, New York 10016; 401 Theodore Fremd Avenue, Rye, New York 10580; 50-25 34th Street, Long Island City, New York 11101; 205 Buffalo Avenue, Freeport, New York 11520; 38-20 Review Avenue, Long Island City, New York 11101; 1539 Lincoln Avenue, Holbrook, New York 11741.

10. Permitted Encumbrances (§§ 4.3(a), (c))

None

11. Business Records Location (§ 4.5(c))

125 Route 110, Farmingdale, New York 11735

12. <u>Required Documents</u> (§ 5.7)	<u>Check if Required</u>	<u>Frequency Due</u>
Receivables Schedules	<u>X</u>	Monthly – within 15 days of each month end
Borrowing Base Certificates	<u>X</u>	With each written request for an Advance, but not less than once each week
Receivables Agings	<u>X</u>	Monthly - within 15 days of each month end
Schedule of Unbilled Charges	<u>X</u>	Upon request
Inventory Reports		
a. Monthly Summary of Inventory by value and location	<u>X</u>	Monthly-within 15 days of each month end; and at closing
b. Work in Process Detail Report	<u>X</u>	Upon request; and at closing
c. Dispute Report	<u>X</u>	Upon request
Inventory Designation	<u>X</u>	Monthly-within 15 days of each month end

Credits and Extensions Reports	<u>X</u>	Upon request
Cash Receipts Journal and Schedule of Payments on Receivables	<u>X</u>	Upon request
Copies of shipping documents relating to the Receivables	<u>X</u>	Upon request
List of names and addresses of Account Debtors	<u>X</u>	At closing and upon request
List of Inventory locations	<u>X</u>	At closing and upon request
Payables aging report, showing the amounts due and owing on all of Debtor's payables accord- in to Debtor's records as of the close of such periods as will be specified by Secured Party	<u>X</u>	Monthly- within 15 days after month end
Reconciliation report reconciling monthly financial statements with Receivable Aging, Inventory Report and Payable Aging	<u>X</u>	Upon request
Work in process schedules	—	n/a
Loan Request, Remittance and Collateral Reports	<u>X</u>	On the date of each Advance Request
Reconciliation of Payroll Taxes	<u>X</u>	Upon request

13. Interest Rate, Default Rate (§ 7.2)

Interest Rate (§ 7.2)

The Prime Rate plus one half percent (.50%). Beginning one year from the effective date of this Agreement, (and tested quarterly thereafter), and provided that the Debtor maintained Tangible Net Worth (as hereinafter defined) of not less than \$4,000,000 as of the most recent fiscal quarter end, based upon the financial statements required to be submitted to Secured Party hereunder, Secured Party will reduce the Interest Rate to the Prime Rate plus one quarter percent (.25%) for the ensuing quarter.

Default Rate (§ 7.2)

The stated Interest Rate plus four (4%) percent per annum

14. Fees and Due Dates (§§ 2.4, 7.3(a))

	<u>Type</u>	<u>Amount</u>	<u>Due Date(s)</u>
-	Closing Fee	\$75,000.00	On the date hereof
	Renewal Fee	\$25,000.00	If Secured Party agrees to renew the Term, which will be determined at the expiration of the Term, at Secured Party's option, Debtor will pay a Renewal Fee of \$25,000.00
--	Unused Line Fee	.25% per annum of the average daily unused principal balance (i.e., .25% of the difference between \$10,000,000.00 and the outstanding principal balance of all Advances and the aggregate stated amount of all Letters of Credit outstanding)	payable in arrears on the first day of each calendar month
-	Examination Fee	\$750.00 per day, per person plus out of pocket expenses and disbursements; prior to the occurrence of an Event of Default under the Agreement or other Transaction Documents, field examinations will be limited to no more than one per annum, at a time of Secured Party's choosing; with an aggregate cost to Debtor, prior to the occurrence of an Event of Default, not to exceed \$5,500.00 per year.	Upon demand
-	Letter of Credit Fees	2% per annum, plus any ancillary customary fees charged by Secured Party at the time of issuance of each Such standby letter of credit	At time of issue and annual renewal of such letter of credit

15. Letters of Credit (§2.4)

\$250,000.00. Without limiting or qualifying the above or any of the provisions contained herein or in the Agreement, the term of each letter of credit issued by Secured Party shall not exceed one year or extend beyond the Termination Date (as defined herein below at paragraph 24).

16. Additional Covenants, including financial covenants
(§§ 9 & 10)

a) Debtor, Guarantor and affiliates will maintain combined average monthly collected balances of \$1,000,000, at least \$750,000 of which in aggregate are placed in non-interest deposit and blocked accounts.

b) At all times, Debtor shall maintain "Working Capital" in the amount not less than \$1,500,000, to be tested quarterly based upon the financial statements required to be submitted to Secured Party hereunder. "Working Capital" will be defined as current assets less current liabilities, exclusive of pre-paid expenses, affiliate Receivables, and with financial terms not otherwise defined herein to be determined in accordance with GAAP).

c) At all times, Debtor shall maintain "Tangible Net Worth" in the amount not less than \$2,750,000, to be tested quarterly, based upon the financial statements required to be submitted hereunder. "Tangible Net Worth" means the sum of stockholders' equity minus the book value of Intangible Assets (as defined below), all determined in accordance with GAAP. "Intangible Assets" means (1) all loans or advances to, and other receivable owing from, any officers, employees, subsidiaries and other affiliates, (2) all investments, whether in a subsidiary or otherwise, (3) goodwill, (4) any other assets deemed intangible under GAAP, and (5) any other assets determined to be intangible by Secured Party in its reasonable credit judgment.

d) At all times, Debtor will not permit the ratio of combined total unsubordinated liabilities to Tangible Net Worth to exceed 4.5 to 1; to be tested quarterly based upon the financial statements required to be submitted to Secured Party hereunder, with all financial terms not otherwise defined herein determined in accordance with GAAP.

e) At all times, Debtor will maintain "Cash Coverage" of not less than 1.5 to 1; to be tested quarterly based upon the financial statements required to be submitted to Secured Party hereunder. "Cash Coverage" will be defined as the ratio of earnings before interest, taxes, depreciation and amortization (computed on an annualized basis) to interest expense (computed on an annualized basis) plus current portion of long term debt, with all financial terms not otherwise defined herein determined in accordance with GAAP.

f) At fiscal quarter end of each first, second and third fiscal quarters, Debtor will have generated a minimum retained cumulative net after tax income of not less than \$1.00, to be tested quarterly based upon the financial statements required to be submitted to Secured Party hereunder, and at fiscal year end, Debtor will have generated a minimum retained

cumulative net after tax income of not less than \$500,000 for the fiscal year just ended, to be tested annually based upon the financial statements required to be submitted to Secured Party hereunder with all financial terms not otherwise defined herein determined in accordance with GAAP.

17. Annual Financial Statements-Timing (§ 9.1 (a))

See body of Agreement.

18. Annual Financial Statements-Form (§ 9.1 (a))

See body of Agreement; without limiting the other criteria set forth in the Agreement, the financial statements will be prepared on an audited basis in accordance with GAAP by Marcum & Kliegman, LLP or such other independent certified public accountants acceptable to Secured Party in its sole reasonable discretion.

19. Interim Financial Statements (§ § 9.1 (c) (e))

See body of Agreement; without limiting the other criteria set forth in the Agreement, (i) the annual audited financial statements referred to in § 9.1 (a) will be prepared in accordance with GAAP by independent certified public accountants acceptable to Secured Party in its sole discretion; and (ii) the quarterly statements referred to in § 9.1 (c) will be management prepared and otherwise in form and substance satisfactory to Secured Party in its sole reasonable discretion.

20. Terms of Sale (§ 9.3)

Due Dates of no more than 30 calendar days from date of Invoice.

Datings:

Not applicable

21. Permitted Borrowings (§ 4.14, 10.2)

Debtor:

None, except the obligations of Debtor in favor of Secured Party and Steelcase, and as set forth in §10.2.

Consolidated Subsidiaries:

None.

22. Permitted Investments and Advances (§ 10.3)

Waldner's Business Environments, Inc.:

None

Consolidated Subsidiaries:

Not applicable

23. Permitted Guaranties (§§ 4.14, 10.4)

Debtor:

None.

Consolidated Subsidiaries:

N/A.

24. Initial Term and Renewal Term (§ 13.16(a), (b))

Initial Term: to expire at the close of business on December 21, 2007.

Renewal Term: not applicable

25. Prepayment Premium (§ 13.16(b))

If such prepayment occurs from the date hereof until December 21, 2005, a prepayment premium in the amount of \$200,000; if such prepayment occurs from December 22, 2005 until December 21, 2006, a prepayment premium of \$100,000; and if such prepayment occurs from December 22, 2006 until December 21, 2007, a prepayment premium of \$50,000; and if such prepayment occurs during any subsequent renewal or extension years thereafter, there shall be no prepayment premium.

26. Other Provisions (§§ 11.1/ OTHER EVENTS OF DEFAULT, 13.9)

In addition to the Events of Default set forth in § 11.1 of the Agreement, the occurrence of any one or more of the following will also constitute an Event of Default:

Failure of Debtor, as of the date hereof, and quarterly thereafter, to keep current all taxes, and present proof to Secured Party, on a quarterly basis, proof, to the satisfaction of Secured Party, that all taxes, assessments and other charges affecting Debtor and/or the Collateral have been paid in full.

27. Trademarks and Patents (§ 4.13)

Debtor:

Consolidated Subsidiaries:

N/A

28. Labor Contracts (§ 4.17)

Debtor:

Union Agreement Local 814

Consolidated Subsidiaries:

N/A

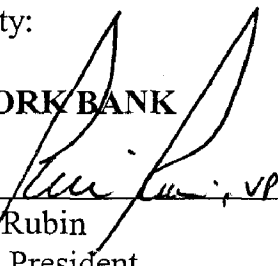
29. Uncollected Funds Adjustment. Notwithstanding anything to the contrary contained in the Agreement or this Schedule, for the purpose of calculating the aggregate principal balance of outstanding Advances under Section 2.1 of this Agreement, Advances shall be deemed to be paid on the date that checks drawn on, or other funds received from, the blocked account are applied by Secured Party to Advances, and on the date any other payments on Receivables, or other payments from sales or leases of Inventory to be so applied, have been processed for collection by Secured Party; provided, however, for the purpose of calculating interest payable by Debtor, funds from the Blocked Account, payments on Receivables, other payments from sales or leases of Inventory, and any other payments, shall be deemed to be applied to Advances (i) Two Business Days (if out of state checks), (ii) One Business Day (if in state checks), and (iii) same day (for electronic transfers before 1:00 p.m.) after the application of such funds from the Blocked Account or receipt of such payments by Secured Party, and the amount of interest payable will be adjusted by Secured Party from time to time accordingly. Notwithstanding any other provision of this Agreement, if any item presented for collection by Secured Party is not honored, Secured Party may reverse any provisional credit which has been given for the item and make appropriate adjustments to the amount of interest and principal due.

[INTENTIONAL LEFT BLANK]

The undersigned have executed this Schedule as of December 21, 2004.

Secured Party:

NORTH FORK BANK

By:  _____
Eric Rubin
Vice President

Debtor:

WALDNER'S BUSINESS ENVIRONMENTS, INC.

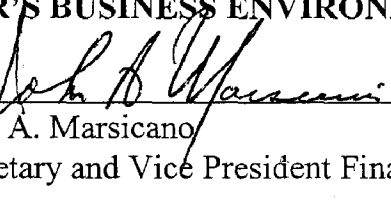
By:  _____
John A. Marsicano
Secretary and Vice President Finance

Exhibit A
PROMISSORY NOTE

Melville, New York
December 21, 2004

FOR VALUE RECEIVED, the undersigned promises to pay to North Fork Bank ("Secured Party") or order, on December 21, 2007 (the "Termination Date"), at its principal place of business located at 275 Broad Hollow Road, Melville, New York 11747, the aggregate unpaid principal amount of all advances and other credit accommodation made by Secured Party to the undersigned from time to time (collectively, as used herein, the "Advances") under a certain loan and security agreement dated as of December 21, 2004 by and between the undersigned and the Secured Party, inclusive of all schedules and exhibits, as the same may be extended or otherwise modified from time to time (the "Agreement"), as evidenced by the inscriptions made on a certain Schedule of Advances and Payments (herein referred to as the "Schedule" or the "Loan Account"), together with interest thereon at a per annum rate equal to Secured Party's Prime Rate as defined below, plus .50%, and actual fees, costs and expenses as described in the Agreement. All payments shall be credited, when collected, at the discretion of Secured Party, to interest, to default rate of interest, as applicable, to late charges, to other fees, charges and expenses and the balance, to principal.

Secured Party's Prime Rate shall mean the rate of interest publicly announced by Secured Party from time to time as its prime rate and is a base rate for calculating interest on certain loans. Upon the occurrence of a default under the Agreement (other than non-payment of Advances), which continues for ten (10) days after notice, or with respect to payment default, after the date demand is made for payment of Advances, Advances shall bear interest at a per annum rate 5% greater than the rate of interest otherwise applicable to Advances evidenced by this Note. In no event shall the interest rate on this Note exceed the maximum rate authorized by applicable law. Any changes in the interest rate on this Note resulting from a change in Secured Party's Prime Rate shall be effective on the date of such change. Interest will be calculated for each day at 1/360th of the applicable per annum rate, which will result in a higher effective annual rate.

Nothing contained in this Note or otherwise is intended, nor shall constitute, any obligation of Secured Party to make any Advance or issue any letter of credit.

All Advances and all payments of principal made on this Note may be inscribed by Secured Party on the Schedule. Each entry set forth on the Schedule shall be prima facie evidence of the facts so set forth. No failure by Secured Party to make, and no error by Secured Party in making, any inscription on the Schedule shall affect the undersigned's obligation to repay the full principal amount advanced by Secured Party to or for the account of the undersigned, or the undersigned's obligation to pay interest thereon at the agreed upon rate.

The undersigned Borrower agrees that, if Borrower has any objections to a statement of account pertaining to the outstanding balance of the Advances, the amount of interest due thereon, fees, costs and expenses mailed or otherwise delivered to Borrower by Secured Party, within forty-five (45) calendar days from the day when the Secured Party shall have mailed or otherwise delivered to Borrower such a statement, the Borrower shall deliver to Secured Party a detailed

written notice of any objections which it may have as to such statement . After the expiration of such 45 day period, absent Borrower's delivery to Secured Party of the aforesaid described written objection, shall be deemed presumptive proof of the accuracy of the information contained in such statement of account.

No failure by the holder hereof to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by such holder of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of the holder hereof as herein specified are cumulative and not exclusive of any other rights or remedies which such holder may otherwise have.

This Note shall be governed by the internal laws of the State of New York without regard to principles of conflicts of laws. The undersigned agrees to pay all reasonable costs and expenses incurred by the holder hereof in enforcing this Note, including, without limitation, reasonable attorneys' fees and legal expenses.

Secured Party is entitled to the benefits of all of the Collateral described in the Agreement and the collateral, if any, described in the other Transaction Documents. This Note is the Promissory Note referred to in the Agreement, and Secured Party shall be entitled to the benefit of all of the provisions contained therein and in the other Transaction Documents. The Agreement, among other things, contains provisions for payment of principal, interest, fees and charges in connection with the credit facility described therein as well as provisions for acceleration of this Note upon the happening of certain stated events. The Agreement also contains representations, warranties, covenants and conditions precedent to the making of Advances under the Agreement, all of which are hereby made part of this Note to the same extent and with the same effect as if set forth herein at length.

It is expressly agreed that, upon the failure of undersigned to timely to make any payment due hereunder, or upon the happening of any "Event of Default" under the Agreement, or the other Transaction Documents, the principal sum hereof, together with accrued interest and all other expenses, including, but not limited to reasonable attorneys' fees for legal services incurred by the Lender in connection with the collection of this Note and/or the enforcement of payment hereof whether or not suit is brought, and if suit is brought, then through all appellate actions, shall immediately become due and payable at the option of Secured Party, notwithstanding the Termination Date set forth herein. In the Event of Default, whether Secured Party exercises any of its rights and remedies contained herein, including the right to declare all indebtedness evidenced by this Note to be immediately due and payable, undersigned shall pay interest on the unpaid principal balance hereunder at a rate equal to the interest rate then in effect plus four percent per annum (the "Default Rate"). The unpaid principal balance under the Note shall bear the Default Rate of interest until the first to occur of the following: (i) all indebtedness under this Note are paid in full; (ii) Debtor has cured said Event of Default to the satisfaction of Secured Party; or (iii) Secured Party, in writing, has waived said Event of Default. Notwithstanding anything to the contrary contained in this Note, the Note is subject to the express condition that at no time shall undersigned be obligated to be required to pay interest on the principal balance of this Note at a rate which could subject Secured Party either to civil or criminal penalty as a result of being in excess of the maximum rate which undersigned is permitted by law to contract or agree to pay. If by the terms of this Note,

undersigned at any time are required or obligated to pay interest on the principal balance of this Note at a rate in excess of such maximum rate then the rate of interest under this Note shall be deemed to be immediately reduced to such maximum rate and interest payable hereunder shall be computed at such maximum rate and any prior interest payments made in excess of such maximum rate shall be applied and shall be deemed to have been payments made in reduction of the principal balance of such note.

The indebtedness evidenced by this Note shall be prepayable, in whole or in part, subject to the provisions contained in the Agreement.

Should the indebtedness represented by this Note or any part thereof be collected at law or in equity, or in bankruptcy, receivership or any other court proceedings (whether at the trial or appellate level), or should this Note be placed in the hands of attorneys for collection upon an Event of Default, the undersigned agrees to pay, in addition to the principal, premium, breakage costs, and interest due and payable hereon, all costs of collection or attempting to collect this Note, including reasonable attorneys' fees and expenses.

The undersigned hereby waives valuation and appraisal, demand, presentment for payment, notice of dishonor, protest and notice of protest of this Note.

Any notice, demand or request relating to any matter set forth herein shall be in writing and shall be deemed effective when mailed, postage prepaid, by registered or certified mail, return receipt requested, to any party hereto at its address stated in the Agreement or at such other address of which it shall have notified the party giving such notice in writing as aforesaid.

This Note, being drawn, executed and delivered in the State of New York, where all advances and repayments shall be made, shall be construed and enforced in accordance with the laws of the State of New York.

This Note may not be changed or terminated orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

All capitalized terms used herein not specifically defined shall have the meanings assigned to such terms in the Agreement.

Each of the undersigned hereby unconditionally and irrevocably waives and releases any and all "claims" arising under (and as defined in Section 101(4) or any successor provision of) the Bankruptcy Code (Title 11, United States Code, as amended) as a co-obligor, guarantor, surety or pledgor against the other undersigned now or hereafter arising out of or pertaining directly or indirectly to this Note, any guaranty, or the transaction to which any relate, including (without limitation) those claims arising from rights of subrogation, indemnity, reimbursement or contribution against the other undersigned.

UNDERSIGNED AND SECURED PARTY AGREE THAT ANY LITIGATION GROWING OUT OF ANY CONTROVERSY WITH RESPECT TO, IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY INSTRUMENT OR DOCUMENT DELIVERED PURSUANT HERETO WILL BE TRIED BY A COURT BY A JUDGE SITTING WITHOUT A JURY. IN ADDITION, UNDERSIGNED ANY CLAIM OF LACHES AND ANY SET-OFF OR COUNTERCLAIM EXCEPT FOR COMPULSORY COUNTERCLAIMS OF ANY NATURE OR DESCRIPTION, EXCEPT FOR PAYMENT PROVIDED BORROWER MAY INSTITUTE A SEPARATE CLAUSE OF ACTION AS TO SUCH MATTERS. THE BORROWER AND THE LENDER CONFIRM THAT THE FOREGOING WAIVERS ARE INFORMED AND FREELY MADE.

IN WITNESS WHEREOF, the undersigned has duly executed this Note as of the date of this Note.

WALDNER'S BUSINESS ENVIRONMENTS, INC.

By: _____
 John A. Marsicano
 Secretary and Vice President Finance

STATE OF NEW YORK)
) SS:
 COUNTY OF SUFFOLK)

On the 21st day of December, 2004 before me, the undersigned a Notary Public in and for said State, personally appeared **John A. Marsicano**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

 Notary Public

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FINANCIAL STATEMENT CERTIFICATION

Date: _____

TO: North Fork Bank

The undersigned, represents and warrants to North Fork Bank, and hereby certifies to North Fork Bank, that:

- i. This Financial Statement Certification is being delivered pursuant to the provisions of that certain loan and security agreement (the "Agreement") dated as of December 21, 2004 by and between WALDNER'S BUSINESS ENVIRONMENTS, INC. ("Debtor") and NORTH FORK BANK ("Secured Party"), inclusive of all schedules and exhibits, as the same may be extended or otherwise modified from time to time. Any and all initially capitalized terms used herein shall have the meanings ascribed thereto in the Agreement unless otherwise specifically defined herein.
- ii. The undersigned has reviewed a copy of the attached financial statements, projected financial statements and/or budget with a view toward determining the truth and accurateness of such statements as of the date of such statements.
- iii. The attached financial statements and/or projected budget are complete and correct and present fairly the financial condition and results of operations of Debtor as at such dates. All such financial statements, including the related schedules and notes thereto, if any, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants, the managing member, or the chief financial officer of Debtor, as the case may be). Since the date of such financial statements, there has been no material adverse change in the business or assets, or in the condition, financial or otherwise, of Debtor. The financial statements do not contain any untrue statement of material fact, or omit to state a material fact necessary in order to make the statements contained therein not misleading.

Waldner's Business Environments, Inc.

By: _____
John A. Marsicano
Secretary and Vice President Finance

Exhibit C
COMPLIANCE CERTIFICATE

TO: NORTH FORK BANK

The undersigned hereby certifies that:

1. This Compliance Certificate is being delivered pursuant to the provisions of that certain loan and security agreement dated as of December 21, 2004 by and between WALDNER'S BUSINESS ENVIRONMENTS, INC. ("Debtor") and NORTH FORK BANK ("Secured Party"), inclusive of all schedules and exhibits, as the same may be extended or otherwise modified from time to time (the "Agreement"). Any and all initially capitalized terms used herein have the meanings ascribed thereto in the Agreement unless otherwise specifically defined herein.

2. The undersigned is the Secretary and Vice President Finance of WALDNER'S BUSINESS ENVIRONMENTS, INC.

3. The undersigned represents and warrants as follows:

(a) the representations and warranties contained in Article 4 of the Agreement and the representations and warranties contained in the other Transaction Documents are true and correct, as though made on and as of this date; and

(b) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

4. Debtor is in compliance with the covenants set forth in ARTICLES 9 and 10 of the Agreement.

I hereby certify the foregoing information to be true and correct in all material respects and execute this Compliance Certificate as of this _____ day of _____, 200__.

Waldner's Business Environments, Inc.

By: _____

John A. Marsicano
Secretary and Vice President Finance