Form PTO-1594 (Rev. 07/05)
OMB Collection 0651-0027 (exp. 6/30/2008)

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

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):
Nicaragua Tobacco Imports, Inc.

☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation- State: Florida
☐ Other

Citizenship (see guidelines)
Additional names of conveying parties attached? ☐ Yes ☒ No

2. Name and address of receiving party(ies)
Additional names, addresses, or citizenship attached? ☐ Yes ☒ No

Name: Gerber Finance, Inc.
Internal Address: 110 East 55th St.
Street Address:
City: New York
State: NY
Country: USA Zip: 10022

☐ Association Citizenship
☐ General Partnership Citizenship
☐ Limited Partnership Citizenship
☒ Corporation ~~Citizenship~~ New York
☐ Other Citizenship

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)

3. Nature of conveyance)/Execution Date(s) :
Execution Date(s) October 22 2007

☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other

4. Application number(s) or registration number(s) and identification or description of the Trademark.
A. Trademark Application No.(s)
please see attached

B. Trademark Registration No.(s)
please see attached.

Additional sheet(s) attached? ☒ Yes ☐ No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):
please see attached.

5. Name & address of party to whom correspondence concerning document should be mailed:
Name: Jennifer McGuinness
Internal Address: Gerber Finance, Inc.
Street Address: 110 East 55th St.
City: New York
State: NY Zip: 10022
Phone Number: 212-888-3833 202
Fax Number: 212-888-1637
Email Address: jmcguinness@gerberfinance.com

6. Total number of applications and registrations involved: 16

7. Total fee (37 CFR 2.6(b)(6) & 3.41) $ 415.00
☒ Authorized to be charged by credit card
☐ Authorized to be charged to deposit account
☐ Enclosed

8. Payment Information:
a. Credit Card Last 4 Numbers 1006
Expiration Date 06/11
b. Deposit Account Number
Authorized User Name

9. Signature: Jennifer McGuinness 4/15/08
Signature Date
Jennifer McGuinness
Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 41

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

OP $415.00 77361662

Serial Number	Registration Number	Word Mark	Filing Date
7889717	3222884	Cupido	June 2, 2006
78242915	2973248	La Carolina	April 28, 2003
78242906	2934273	Vegas De Tabacalera Esteli	April 28, 2003
78242899	2953846	Beck	April 28, 2003
78241785	2973241	Arte Cubano	April 24, 2003
78241747	2973240	Cuban Crafters	April 24, 2003
78230529	3142814	420'S	March 26, 2003
77361662	N/A	J.L. Salazar Y Hermanos	December 31, 2007
77361657	N/A	Oneoff Cigars	December 31, 2007
77361556	N/A	Cuban Copy	December 30, 2007
77361550	N/A	El Fenicio	December 30, 2007
77359144	N/A	Nicaragua Habanos	December 25, 2007
77359142	N/A	El Laguito	December 25, 2007
77359141	N/A	Tattoo	December 25, 2007
77358959	N/A	Tony Alvarez	December 24, 2007
77270508	N/A	J.L. Salazar	September 4, 2007

LOAN AND SECURITY AGREEMENT

GERBER FINANCE INC.

as Lender

and

NICARAGUA TOBACCO IMPORTS, INC.

as Borrower

Dated: August 24, 2007

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement is made as of August 24, 2007 by and between **GERBER FINANCE INC.**, a New York corporation ("Lender") and **NICARAGUA TOBACCO IMPORTS, INC.**, a Florida corporation ("Borrower").

BACKGROUND

Borrower has requested that Lender make loans and advances available to Borrower; and

Lender has agreed to make such loans and advances to Borrower on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and undertakings and the terms and conditions contained herein, the parties hereto agree as follows:

1. (a) General Definitions. When used in this Agreement, the following terms shall have the following meanings:

"Account Debtor" means any Person who is or may be obligated with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a Payment Intangible).

"Accountants" has the meaning given to such term in Section 11(a).

"Accounts" means all "accounts", as such term is defined in the UCC, now owned or hereafter acquired by any Person.

"Accounts Availability" means the amount of Revolving Credit Advances against Eligible Accounts Lender may from time to time make available to Borrower up to eighty-five percent (85%) of the net face amount of Borrower's Eligible Accounts.

"Affiliate" of any Person means (a) any Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person, or (b) any Person who is a director or officer (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote five percent (5.00%) or more of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Ancillary Agreements" means the Note, each Capital Expenditure Availability Supplement, each Guaranty Agreement, each Validity Agreement, each Guaranty Security Agreement, each Mortgage, each Intercreditor Agreement, each Subordination Agreement, and all other agreements, instruments, documents, mortgages, pledges, powers of attorney, consents, assignments, contracts, notices, security agreements, trust agreements and guarantees whether heretofore, concurrently, or hereafter executed by or on behalf of Borrower or any other Person or delivered to Lender, relating to this Agreement or to the transactions contemplated by this Agreement.

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"Books and Records" means all books, records, board minutes, contracts, licenses, insurance policies, environmental audits, business plans, files, computer files, computer discs and other data and software storage and media devices, accounting books and records, financial statements (actual and pro forma), filings with Governmental Authorities and any and all records and instruments relating to the Collateral or otherwise necessary or helpful in the collection thereof or the realization thereupon.

"Borrowing Base Certificate" means a certificate in the form of Exhibit C.

"Business Day" means a day on which Lender is open for business and that is not a Saturday, a Sunday or other day on which banks are required or permitted to be closed in the State of New York.

"Change of Control" means, with respect to any Person on or after the Closing Date, that any change in the composition of such Person's stockholders as of the Closing Date shall occur which would result in any stockholder or group acquiring 49.9% or more of any class of Stock of such Person, or that any Person (or group of Persons acting in concert) shall otherwise acquire, directly or indirectly (including through Affiliates), the power to elect a majority of the board of directors of such Person or otherwise direct the management or affairs of such Person by obtaining proxies, entering into voting agreements or trusts, acquiring securities or otherwise. Notwithstanding the foregoing a Change of Control shall not include a transfer of stock between Jorge Salazar, Enrique Berger, Alberto Gutman and/or their respective families.

"Chattel Paper" means all "chattel paper," as such term is defined in the UCC, including electronic chattel paper, now owned or hereafter acquired by any Person.

"Closing Date" means August 30, 2007 or such other date as may be agreed upon by the parties hereto.

"Collateral" means all of Borrower's property and assets, whether real or personal, tangible or intangible, and whether now owned or hereafter acquired, or in which it now has or at any time in the future may acquire any right, title or interest including all of the following property in which it now has or at any time in the future may acquire any right, title or interest:

(i) all Inventory;

(ii) all Equipment;

(iii) all Fixtures;

(iv) all General Intangibles;

(v) all Accounts;

(vi) all Deposit Accounts, other bank accounts and all funds on deposit therein;

(vii) all Investment Property;

(viii) all Stock;

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(ix) all Chattel Paper;

(x) all Letter-of-Credit Rights;

(xi) all Instruments;

(xii) all commercial tort claims set forth on Exhibit 1(A);

(xiii) all Books and Records;

(xiv) all Supporting Obligations including letters of credit and guarantees issued in support of Accounts, Chattel Paper, General Intangibles and Investment Property;

(xv) (i) all money, cash and cash equivalents and (ii) all cash held as cash collateral to the extent not otherwise constituting Collateral, all other cash or property at any time on deposit with or held by Lender for the account of Borrower (whether for safekeeping, custody, pledge, transmission or otherwise); and

(xvi) all products and Proceeds of all or any of the foregoing, tort claims and all claims and other rights to payment including insurance claims against third parties for loss of, damage to, or destruction of, and (ii) payments due or to become due under leases, rentals and hires of any or all of the foregoing and Proceeds payable under, or unearned premiums with respect to policies of insurance in whatever form.

"Collateral Account" means an account in Lender's name under the dominion and control of Lender maintained at a financial institution acceptable to Lender into which all cash, checks, notes, drafts and other similar items relating to or constituting Proceeds of or payments made in respect of any Collateral shall be deposited.

"Contract Rate" means an interest rate per annum equal to the sum of (i) the Prime Rate plus (ii) three percent (3%).

"Default" means any act or event which, with the giving of notice or passage of time or both, would constitute an Event of Default.

"Default Rate" has the meaning given to such term in Section 5(a)(iii).

"Deposit Accounts" means all "deposit accounts" as such term is defined in the UCC, now or hereafter held in the name of any Person.

"Documents" means all "documents", as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located, including all bills of lading, dock warrants, dock receipts, warehouse receipts, and other documents of title, whether negotiable or non-negotiable.

"Eligible Accounts" means and includes each Account of Borrower which conforms to the following criteria: (a) shipment of the merchandise or the rendition of services has been completed; (b) merchandise or services shall not have been repossessed, returned, rejected or disputed by the Account Debtor and there shall not have been asserted any offset, defense or counterclaim; (c) continues to be in full conformity with the representations and warranties made by Borrower to Lender with respect thereto; (d) Lender is, and continues to be, satisfied with the credit standing of the Account Debtor in relation to

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REEL: 003760 FRAME: 0457

the amount of credit extended; (e) there are no facts existing or threatened which are likely to result in any adverse change in an Account Debtor's financial condition; (f) is documented by an invoice in a form approved by Lender and shall not be unpaid more than ninety (90) days from invoice date; (g) less than thirty-three percent (33%) of the unpaid amount of invoices due from such Account Debtor remain unpaid more than ninety (90) days from invoice date; (h) is not evidenced by chattel paper or an instrument of any kind with respect to or in payment of the Account unless such instrument is duly endorsed to and in possession of Lender or represents a check in payment of a Account; (i) if the Account Debtor is located outside of the United States, the goods which gave rise to such Account were shipped after receipt by Borrower from or on behalf of the Account Debtor of an irrevocable letter of credit, assigned and delivered to Lender and confirmed by a financial institution acceptable to Lender and is in form and substance acceptable to Lender, payable in the full amount of the Account in United States dollars at a place of payment located within the United States; (j) Lender has a first priority perfected Lien in such Account and such Account is not subject to any other Lien other than Permitted Liens; (k) does not arise out of transactions with any employee, officer, agent, director, stockholder or Affiliate of Borrower; (l) is payable to Borrower; (m) does not arise with respect to goods which are delivered on a cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the Account Debtor may be conditional; (n) is not an obligation of an Account Debtor that has suspended business, made a general assignment for the benefit of creditors, is unable to pay its debts as they become due or as to which a petition has been filed (voluntary or involuntary) under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; (o) does not arise out of a bill and hold sale prior to shipment (p) does not arise out of a sale to any Person to which Borrower is indebted, unless the amount of such indebtedness, and any anticipated indebtedness, is deducted in determining the face amount of such Account; (q) is net of any returns, discounts, claims, credits and allowances; (r) if the Account arises out of contracts between Borrower and the United States, any state, or any department, agency or instrumentality of any of them, Borrower has so notified Lender, in writing, prior to the creation of such Account, and, if Lender so requests, there has been compliance with any governmental notice or approval requirements, including compliance with the Federal Assignment of Claims Act; (s) is a good and valid account representing an undisputed bona fide indebtedness incurred by the Account Debtor therein named, for a fixed sum as set forth in the invoice relating thereto with respect to an unconditional sale and delivery upon the stated terms of goods sold by Borrower, or work, labor and/or services rendered by Borrower; (t) the total unpaid Accounts from such Account Debtor does not exceed twenty percent (20%) of all Eligible Accounts; (u) does not arise out of progress billings prior to completion of the order; (v) Borrower's right to payment is absolute and not contingent upon the fulfillment of any condition whatsoever; (w) Borrower is able to bring suit and enforce its remedies against the Account Debtor through judicial process; (x) does not represent interest payments, late or finance charges or service charges owing to Borrower; and (y) is otherwise satisfactory to Lender as determined in good faith by Lender in the reasonable exercise of its discretion.

"Eligible Inventory" means Inventory owned by Borrower which Lender, in its sole and absolute discretion, determines: (a) is subject to a first priority perfected Lien in favor of Lender and is subject to no other Liens whatsoever other than Permitted Liens; (b) is located on premises owned or operated by Borrower; (c) is located on premises with respect to which Lender has received a landlord, mortgagee or warehouse agreement acceptable in form and substance to Lender; (d) is not in transit, unless such Inventory is free of title and has been shipped under a Letter of Credit issued on behalf of Lender whereby the shipping documentation thereunder is consigned to Lender or such Inventory is evidenced of having been paid for by Borrower in a manner satisfactory to Lender; (e) is not covered by a negotiable document of title, unless such document and evidence of acceptable insurance covering such Inventory has been delivered to Lender; (f) is in good condition and meets all standards imposed by any governmental agency, or department or division thereof having regulatory Governmental Authority over such Inventory, its use or sale including the Federal Fair Labor Standards Act of 1938 as amended, and all

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rules, regulations and orders thereunder; (g) is currently either usable or salable in the normal course of Borrower's business; (h) is not placed by Borrower on consignment or held by Borrower on consignment from another Person; (i) is in conformity with the representations and warranties made by Borrower to Lender with respect thereto; (j) is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreement with any third parties; (k) does not require the consent of any Person for the completion of manufacture, sale or other disposition of such Inventory by Lender following an Event of Default and such completion, manufacture or sale does not constitute a breach or default under any contract or agreement to which Borrower is a party or to which such Inventory is or may be subject; (l) is not work-in-process; (m) is covered by casualty insurance acceptable to Lender; and (n) not to be ineligible for any other reason.

"Environmental Complaint" shall have the meaning given to such term in Section 12(p)(iv).

"Equipment" means all "equipment" as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located.

"ERISA" shall have the mean the Employee Retirement Income Security Act of 1974 and the regulations and published interpretations therewith.

"Event of Default" means the occurrence of any of the events set forth in Section 18.

"Fixtures" means all "fixtures" as such term is defined in the UCC, now owned or hereafter acquired by any Person.

"Formula Amount" shall have the meaning given to such term in Section 2(a).

"GAAP" means generally accepted accounting principles, practices and procedures in effect from time to time in the United States of America.

"General Intangibles" means all "general intangibles" as such term is defined in the UCC, now owned or hereafter acquired by any person including all right, title and interest that such Person may now or hereafter have in or under any contract, all Payment Intangibles, customer lists, Licenses, Intellectual Property, interests in partnerships, joint ventures and other business associations, permits, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, Software, data bases, data, skill, expertise, experience, processes, models, drawings, materials, Books and Records, Goodwill (including the Goodwill associated with any Intellectual Property), all rights and claims in or under insurance policies (including insurance for fire, damage, loss, and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key-person, and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit accounts, rights to receive tax refunds and other payments, rights to received dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, and rights of indemnification.

"Goods" means all "goods", as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located, including embedded software to the extent included in "goods" as defined in the UCC.

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REEL: 003760 FRAME: 0459

"Goodwill" means all goodwill, trade secrets, proprietary or confidential information, technical information, procedures, formulae, quality control standards, designs, operating and training manuals, customer lists, and distribution agreements now owned or hereafter acquired by any Person.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantor" means individually, Enrique Berger, Alberto Gutman, and Jorge Salazar, and any other Person who may guarantee payment or performance of the whole or any part of the Obligations and "Guarantors" means collectively all such Persons.

"Guarantor Security Agreements" means collectively, all security agreements, mortgages, cash collateral deposit letters, pledges, and other agreements which are executed by any Guarantor in favor of Lender.

"Guaranty Agreements" means collectively, the Guaranty Agreements which are executed by each Guarantor in favor of Lender.

"Hazardous Discharge" shall have the meaning given to such term in Section 12(p)(iv).

"Indemnified Person" shall have the meaning given to such term in Section 25.

"Instruments" means all "instruments", as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located, including all certificated securities and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Intellectual Property" means any and all Licenses, patents, patent registrations, copyrights, copyright registrations, trademarks, trademark registrations, trade secrets and customer lists.

"Inventory" means all "inventory", as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located.

"Investment Property" means all "investment property", as such term is defined in the UCC, now owned or hereafter acquired by any Person, wherever located.

"Inventory Availability" means the amount of Revolving Credit Advances against Eligible Inventory Lender may from time to time make available to Borrower up to fifty percent (50%) of the value of Borrower's Eligible Inventory (calculated on the basis of the lower of cost or market, on a first-in first-out basis).

"LC Issuer" shall mean a commercial bank or other financial institution selected by Lender, in is discretion, to issue Letters of Credit pursuant to this Agreement.

"Letters of Credit" means any and all documentary or standby letters of credit and guarantees by Lender of letters of credit opened or caused to be opened by Lender for Borrower's account and any drafts and acceptances thereunder.

"Letter of Credit Fee" has the meaning given to such term in the Letter of Credit Supplement.

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"Letter of Credit Obligations" means all outstanding obligations incurred by Lender, whether direct or indirect, contingent or otherwise, due or not due in connection with the issuance or guarantee by Lender of Letters of Credit or Letters of Guaranty.

"Letters of Guaranty" means all letters of guarantee entered into by Lender for Borrowers account.

"Letter-of-Credit Rights" means "letter-of-credit rights" as such term is defined in the UCC, now owned or hereafter acquired by any Person, including rights to payment or performance under a letter of credit, whether or not such Person, as beneficiary, has demanded or is entitled to demand payment or performance.

"License" means any rights under any written agreement now or hereafter acquired by any Person to use any trademark, trademark registration, copyright, copyright registration or invention for which a patent is in existence or other license of rights or interests now held or hereafter acquired by any Person.

"Lien" means any mortgage, security deed, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the UCC or comparable law of any jurisdiction.

"Loans" means the Revolving Credit Advances and all extensions of credit hereunder or under any Ancillary Agreement, including Letter of Credit Obligations.

"Material Adverse Effect" means a material adverse effect on (a) the condition, operations, assets, business or prospects of Borrower, (b) Borrower's ability to pay or perform the Obligations in accordance with the terms hereof or any Ancillary Agreement, (c) the value of the Collateral, the Liens on the Collateral or the priority of any such Lien or (d) the practical realization of the benefits of Lender's rights and remedies under this Agreement and the Ancillary Agreements.

"Maximum Capital Expenditure Amount" means $50,000.

"Maximum Legal Rate" shall have the meaning given to such term in Section 5(a)(iv).

"Maximum Revolving Amount" means $500,000.

"Minimum Average Monthly Loan Amount" means $250,000.

"Note" means the promissory note of Borrower executed in favor of Lender substantially in the form of Exhibit A.

"Obligations" means all Loans, all advances, debts, liabilities, obligations, covenants and duties owing by Borrower to Lender (or any corporation that directly or indirectly controls or is controlled by or is under common control with Lender) of every kind and description (whether or not evidenced by any note or other instrument and whether or not for the payment of money or the performance or non-performance of any act), direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, whether existing by operation of law or otherwise now existing or hereafter arising including any debt, liability or obligation owing from Borrower to others which Lender

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REEL: 003760 FRAME: 0461

may have obtained by assignment or otherwise and further including all interest (including interest accruing at the then applicable rate provided in this Agreement after the maturity of the Loans and interest accruing at the then applicable rate provided in this Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), charges or any other payments Borrower is required to make by law or otherwise arising under or as a result of this Agreement and the Ancillary Agreements, together with all reasonable expenses and reasonable attorneys' fees chargeable to Borrower's account or incurred by Lender in connection with Borrower's account whether provided for herein or in any Ancillary Agreement.

"Payment Intangibles" means all "payment intangibles" as such term is defined in the UCC, now owned or hereafter acquired by any Person, including, a General Intangible under which the Account Debtor's principal obligation is a monetary obligation.

"Permitted Liens" means (a) Liens of carriers, warehousemen, artisans, bailees, mechanics and materialmen incurred in the ordinary course of business securing sums not overdue; (b) Liens incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance or other forms of governmental insurance or benefits, relating to employees, securing sums (i) not overdue or (ii) being diligently contested in good faith provided that adequate reserves with respect thereto are maintained on the books of Borrower in conformity with GAAP; (c) Liens in favor of Lender; (d) Liens for taxes (i) not yet due or (ii) being diligently contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of Borrower in conformity with GAAP; provided, that, the Lien shall have no effect on the priority of Liens in favor of Lender or the value of the assets in which Lender has a Lien; (e) Purchase Money Liens securing Purchase Money Indebtedness to the extent permitted in this Agreement and (f) Liens specified on Schedule 1(B) hereto.

"Person" means any individual, sole proprietorship, partnership, limited liability partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, entity or government (whether federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof), and shall include such Person's successors and assigns.

"Prime Rate" means the "prime rate" which is normally published in the "Money Rates" of The Wall Street Journal (Eastern Edition, New York Metro); provided, however, if the Money Rates Column of The Wall Street Journal (Eastern Edition, New York Metro) ceases to be published or otherwise does not designate a "prime rate" as of a Business Day, Lender shall have the right to obtain such information from a similar business publication of its selection. The Prime Rate shall be increased or decreased as the case may be for each increase or decrease in the Prime Rate in an amount equal to such increase or decrease in the Prime Rate; each change to be effective as of the day of the change in such rate.

"Proceeds" means "proceeds", as such term is defined in the UCC and, in any event, shall include: (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Borrower or any other Person from time to time with respect to any Collateral; (b) any and all payments (in any form whatsoever) made or due and payable to Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any Collateral by any governmental body, governmental authority, bureau or agency (or any person acting under color of governmental authority); (c) any claim of Borrower against third parties (i) for past, present or future infringement of any Intellectual Property or (ii) for past, present or future infringement or dilution of any trademark or trademark license or for injury to the goodwill associated with any trademark, trademark registration or

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REEL: 003760 FRAME: 0462

trademark licensed under any trademark License; (d) any recoveries by Borrower against third parties with respect to any litigation or dispute concerning any Collateral, including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral; (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock; and (f) any and all other amounts , rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

"Projections" means the projected balance sheets, statements of income and cash flow for Borrower and its Subsidiaries by month for the next fiscal year prepared in a manner consistent with GAAP and accompanied by senior management's discussion and analysis of such plan.

"Purchase Money Indebtedness" means (a) any indebtedness incurred for the payment of all or any part of the purchase price of any fixed asset, (b) any indebtedness incurred for the sole purpose of financing or refinancing all or any part of the purchase price of any fixed asset, and (c) any renewals, extensions or refinancings thereof (but not any increases in the principal amounts thereof outstanding at that time).

"Purchase Money Lien" means any Lien upon any fixed assets that secures the Purchase Money Indebtedness related thereto but only if such Lien shall at all times be confined solely to the asset the purchase price of which was financed or refinanced through the incurrence of the Purchase Money Indebtedness secured by such Lien and only if such Lien secures only such Purchase Money Indebtedness.

"Reserves" means reserves established by Lender from time to time in its good faith credit judgment, including to protect Lender's interest in the Collateral, to protect Lender against possible non-payment of Accounts for any reason by Account Debtors, to protect against the diminution in value of any Collateral, to protect Lender against the possible non-payment of any Obligations, to protect Lender for any unpaid taxes, to protect Lender in respect of any state of facts that could constitute a Default or Event of Default and to protect Lender for any Letter of Credit Obligations.

"Revolving Credit Advances" shall have the meaning given to such term in Section 2(a).

"Software" means all "software" as such term is defined in the UCC, now owned or hereafter acquired by any Person, including all computer programs and all supporting information provided in connection with a transaction related to any program.

"Stock" means all certificated and uncertificated shares, options, warrants, membership interests, general or limited partnership interests, participation or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

"Subchapter S Distributions" mean dividends declared and paid by Borrower to its shareholders, or which could have been declared and paid by Borrower, in an amount not to exceed the Subchapter S Tax Liabilities.

"Subchapter S Tax Liabilities" means the amount of state and federal income tax paid or to be paid by Borrower's shareholders on taxable income earned by Borrower and attributable to the shareholder as a result of Borrower's Subchapter S tax status, assuming the highest marginal income tax

TRADEMARK
REEL: 003760 FRAME: 0463

rate for federal and state (for the state or states in which any shareholder is liable for income taxes with respect to such income) income tax purposes, after taking into account any deduction for state income taxes in calculating the federal income tax liability and all other deductions, credits, deferrals and other reductions available to the shareholders from or through Borrower.

"Subordinated Debt" means the indebtedness evidenced by the Subordinated Note and any other note, document, instrument or agreement now or any time hereafter executed and/or delivered by Borrower with or in favor of any Subordinated Lender which evidences the principal, interest and other amounts owed by Borrower to such Subordinated Lender.

"Subordinated Lender" means collectively, Enrique Berger and any other Person who enters into a Subordination Agreement with Lender with respect to amounts owed by Borrower to such Subordinated Lender.

"Subordinated Note" means $200,000.

"Subordination Agreement" means collectively, the Subordination Agreement executed by the applicable Subordinated Lender in favor of Lender and acknowledged by Borrower, and any and all other subordination agreements accepted by Lender from time to time with respect to indebtedness of Borrower.

"Subsidiary" of any Person means a corporation or other entity whose shares of stock or other ownership interests having ordinary voting power (other than stock or other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

"Supporting Obligations" means all "supporting obligations" as such term is defined in the UCC, including letters of credit and guaranties issued in support of Accounts, Chattel Paper, Documents, General Intangibles, Instruments, or Investment Property.

"Tangible Net Worth" at a particular date means (a) the aggregate amount of all assets of Borrower as may be properly classified as such in accordance with GAAP consistently applied excluding (i) all amounts owed to Borrower from any employee, officer, agent, director, stockholder or Affiliate of Borrower, (ii) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (iii) all deferred charges or unamortized debt discount and expense, (iv) all reserves carried and not deducted from assets, (v) treasury stock and capital stock, obligations or other securities of, or capital contributions to, or investments in, any of its Subsidiaries, (vi) securities which are not readily marketable, (vii) cash held in a sinking or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or indebtedness and (viii) such other assets as are properly classified as intangible assets under GAAP, less (b) the aggregate amount of all liabilities of Borrower.

"Term" means the Closing Date through the Termination Date subject to acceleration upon the occurrence of an Event of Default hereunder or other termination hereunder.

"Termination Date" means August 29, 2009.

"UCC" means the Uniform Commercial Code as the same may, from time be in effect in the State of New York; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lender's Lien on any

TRADEMARK
REEL: 003760 FRAME: 0464

Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions of this Agreement relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions; provided further, that to the extent that UCC is used to define any term herein or in any Ancillary Agreement and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

"Uniform Customs" shall mean with respect to a documentary Letter of Credit the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time and with respect to a standby Letter of Credit, the International Standby Practices, International Chamber of Commerce Publication No. 590, as the same may be amended from time to time.

"Validity Agreements" means the Validity Guaranty Agreements executed by each Validity Guarantor in favor of Lender.

"Validity Guarantor" means any Person who may hereafter execute a Validity Agreement and "Validity Guarantors" means collectively all such Persons.

(b) Accounting Terms. Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with GAAP and all financial computations shall be computed, unless specifically provided herein, in accordance with GAAP consistently applied.

(c) Other Terms. All other terms used in this Agreement and defined in the UCC, shall have the meaning given therein unless otherwise defined herein.

(d) Rules of Construction. All Schedules, Addenda and Exhibits hereto or expressly identified to this Agreement are incorporated herein by reference and taken together with this Agreement constitute but a single agreement. The words "herein", hereof" and "hereunder" or other words of similar import refer to this Agreement as a whole, including the Exhibits and Schedules thereto, as the same may be from time to time amended, modified, restated or supplemented, and not to any particular section, subsection or clause contained in this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. The term "or" is not exclusive. The term "including" (or any form thereof) shall not be limiting or exclusive. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references in this Agreement or in the Schedules to this Agreement to sections, schedules, disclosure schedules, exhibits, and attachments shall refer to the corresponding sections, schedules, disclosure schedules, exhibits, and attachments of or to this Agreement. All references to any instruments or agreements, including references to any of this Agreement or the Ancillary Agreements shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

2. Revolving Credit Advances.

(a) Subject to the terms and conditions set forth herein and in the Ancillary Agreements, Lender may, in its sole discretion, make revolving credit advances (the "Revolving Credit Advances") to Borrower from time to time during the Term which, in the aggregate at any time

TRADEMARK
REEL: 003760 FRAME: 0465

outstanding together with all outstanding Letter of Credit Obligations, will not exceed the lesser of (x) the Maximum Revolving Amount or (y) an amount equal to the sum of:

(i) Accounts Availability, plus

(ii) Inventory Availability, minus

(iii) such Reserves as Lender may reasonably deem proper and necessary from time to time, including the outstanding amount of Letter of Credit Obligations.

The amount derived at any time from Section 2(a)(y)(i), plus (ii), minus (iii) shall be referred to as the "Formula Amount". Notwithstanding the limitations set forth above, Lender retains the right to lend Borrower from time to time such amounts in excess of such limitations as Lender may determine in its sole discretion.

(b) Borrower acknowledges that the exercise of Lender's discretionary rights hereunder may result during the term of this Agreement in one or more increases or decreases in the advance percentages used in determining Accounts Availability and Inventory Availability and Borrower hereby consents to any such increases or decreases which may limit or restrict advances requested by Borrower.

(c) If Borrower does not pay any interest, fees, costs or charges to Lender when due, Borrower shall thereby be deemed to have requested, and Lender is hereby authorized at its discretion to make and charge to Borrower's account, a Revolving Credit Advance to Borrower as of such date in an amount equal to such unpaid interest, fees, costs or charges.

(d) If Borrower at any time fails to perform or observe any of the covenants contained in this Agreement or any Ancillary Agreement, Lender may, but need not, perform or observe such covenant on behalf and in the name, place and stead of Borrower (or, at Lender's option, in Lender's name) and may, but need not, take any and all other actions which Lender may deem necessary to cure or correct such failure (including the payment of taxes, the satisfaction of Liens, the performance of obligations owed to Account Debtors, lessors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments). The amount of all monies expended and all costs and expenses (including attorneys' fees and legal expenses) incurred by Lender in connection with or as a result of the performance or observance of such agreements or the taking of such action by Lender shall be charged to Borrower's account as a Revolving Credit Advance and added to the Obligations. To facilitate Lender's performance or observance of such covenants of Borrower, Borrower hereby irrevocably appoints Lender, or Lender's delegate, acting alone, as Borrower's attorney in fact (which appointment is coupled with an interest) with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of Borrower any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings required to be obtained, executed delivered or endorsed by Borrower.

(e) Lender will account to Borrower monthly with a statement of all Loans and other advances, charges and payments made pursuant to this Agreement, and such account rendered by Lender shall be deemed final, binding and conclusive unless Lender is notified by Borrower in writing to the contrary within thirty (30) days of the date each account was rendered specifying the item or items to which objection is made.

TRADEMARK
REEL: 003760 FRAME: 0466

(f) During the Term, Borrower may borrow, prepay and reborrow Revolving Credit Advances, all in accordance with the terms and conditions hereof.

(g) Subject to the terms and conditions of this Agreement including Schedule A, Borrower may request and Lender may agree to incur Letter of Credit Obligations. Notwithstanding anything to the contrary contained in this Agreement Lender shall not incur Letter of Credit Obligations.

3. Repayment of the Revolving Credit Advances. Borrower shall be required to (a) make a mandatory repayment hereunder at any time that the aggregate outstanding principal balance of the Revolving Credit Advances made by Lender to Borrower hereunder is in excess of the Formula Amount, in an amount equal to such excess, and (b) repay on the expiration of the Term (i) the then aggregate outstanding principal balance of Revolving Credit Advances made by Lender to Borrower hereunder together with accrued and unpaid interest, fees and charges and (ii) all other amounts owed Lender under this Agreement and the Ancillary Agreements. Any payments of principal, interest, fees or any other amounts payable hereunder or under any Ancillary Agreement shall be made prior to 12:00 noon (New York time) on the due date thereof in immediately available funds.

4. Procedure for Revolving Credit Advances. Borrower may by written or telephonic notice request a borrowing of Revolving Credit Advances prior to 11:00 a.m. (New York time) on the Business Day of its request to incur, on that day, a Revolving Credit Advance. All Revolving Credit Advances shall be disbursed from whichever office or other place Lender may designate from time to time and, together with any and all other Obligations of Borrower to Lender, shall be charged to Borrower's account on Lender's books. The proceeds of each Revolving Credit Advance made by Lender shall be made available to Borrower on the Business Day so requested by way of credit to Borrower's operating account maintained with such bank as Borrower designated to Lender. Any and all Obligations due and owing hereunder may be charged to Borrower's account and shall constitute Revolving Credit Advances.

5. Interest and Fees.

(a) Interest.

(i) Except as modified by Section 5(a)(iii) below, Borrower shall pay interest on the unpaid principal balance of the Loans for each day they are outstanding at the Contract Rate.

(ii) Interest and fees shall be computed on the basis of actual days elapsed in a year of 360 days. Interest shall be payable in arrears on the last day of each month and upon termination of this Agreement, or, at Lender's option, Lender may charge Borrower's account for said interest.

(iii) Effective upon the occurrence of any Event of Default and for so long as any Event of Default shall be continuing, the Contract Rate and the Letter of Credit Fee shall automatically be increased by three percentage points (3%) per annum (such increased rate, the "Default Rate"), and all outstanding Obligations, including unpaid interest and Letter of Credit Fees, shall continue to accrue interest from the date of such Event of Default at the Default Rate applicable to such Obligations.

(iv) Notwithstanding the foregoing, in no event shall the aggregate interest exceed the maximum rate permitted under any applicable law or regulation, as in effect from time to time (the "Maximum Legal Rate") and if any provision of this Agreement or

TRADEMARK
REEL: 003760 FRAME: 0467

Ancillary Agreement is in contravention of any such law or regulation, interest payable under this Agreement and each Ancillary Agreement shall be computed on the basis of the Maximum Legal Rate (so that such interest will not exceed the Maximum Legal Rate) and once the amount of interest payable hereunder or under the Ancillary Agreements is less than the Maximum Legal Rate, Lender shall not reduce interest payable hereunder or any Ancillary Agreement below the amount computed based upon the Maximum Legal Rate until the aggregate amount of interest paid equals the amount of interest which would have been payable if the Maximum Legal Rate had not been imposed.

(v) Borrower shall pay principal, interest and all other amounts payable hereunder, or under any Ancillary Agreement, without any deduction whatsoever, including any deduction for any set-off or counterclaim.

(b) Fees.

(i) Minimum Loan Fee. In the event the average closing daily unpaid balances of all Loans hereunder during any calendar month is less than the Minimum Average Monthly Loan Amount, Borrower shall pay to Lender a minimum loan fee at a rate per annum equal to the Contract Rate on the amount by which the Minimum Average Monthly Loan Amount exceeds such average closing daily unpaid balances. Such fee shall be charged to Borrower's account on the first day of each month with respect to the prior month.

(ii) Closing Fee. Upon execution of this Agreement by Borrower and Lender, Borrower shall pay to Lender a closing fee in an amount equal to one and one-half percent (1.5%) of the Maximum Revolving Amount. The closing fee shall be deemed earned as of the Closing Date and shall not be subject to rebate or proration for any reason.

(iii) Facility Fee. Borrower hereby agrees to pay Lender a facility fee in an amount equal to one and one-half percent (1.5%) of the Maximum Revolving Amount for each anniversary of the Closing Date which occurs prior to the Termination Date. The facility fee for the period ending on the Termination Date shall be deemed fully earned on the anniversary of the Closing Date and shall be payable by a charge to Borrower's account upon the earlier of each anniversary of the Closing Date or the termination of this Agreement for any reason.

(iv) Collateral Monitoring Fee. Borrower shall pay Lender a collateral monitoring fee of $500per month, payable on the Closing Date and on the first day of each month thereafter.

(v) Field Examination Fee. Upon Lender's performance of any collateral monitoring and/or verification including any field examination, collateral analysis or other business analysis, the need for which is to be determined by Lender and which monitoring is undertaken by Lender or for Lender's benefit, an amount equal to the established rate by Lender from time to time which rate on the Closing Date is $750 per day for each person employed to perform such monitoring together with all costs, disbursements and expenses incurred by Lender and the person performing such collateral monitoring and/or verification shall be charged to Borrower's account.

(vii) Overline/Overadvance Fees. Under circumstances where Borrower requests Revolving Credit Advances which would cause Borrower to exceed the Maximum Revolving Amount and/or the Formula Amount, Lender may charge a 1% fee of the excess

TRADEMARK
REEL: 003760 FRAME: 0468

amount at the time of the advance and 1% of the excess amount for each successive month that the amount owing exceeds the Maximum Revolving and/or the Formula Amount.

6. Security Interest.

(a) To secure the prompt payment to Lender of the Obligations, Borrower hereby assigns, pledges and grants to Lender a continuing security interest in and Lien upon all of the Collateral. All of Borrower's Books and Records relating to the Collateral shall, until delivered to or removed by Lender, be kept by Borrower in trust for Lender until all Obligations have been paid in full. Each confirmatory assignment schedule or other form of assignment hereafter executed by Borrower shall be deemed to include the foregoing grant, whether or not the same appears therein.

(b) As additional security for the payment and performance of the Obligations, Borrower hereby assigns to Lender any and all monies (including proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of Borrower with respect to, any and all policies of insurance now or at any time hereafter covering the Collateral or any evidence thereof or any business records or valuable papers pertaining thereto, and Borrower hereby directs the issuer of any such policy to pay all such monies directly to Lender. At any time, whether or not a Default or Event of Default then exists, Lender may (but need not), in Lender's name or in Borrower's name, execute and deliver proof of claim, receive all such monies, endorse checks and other instruments representing payment of such monies, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

(c) Borrower hereby (i) authorizes Lender to file any financing statements, continuation statements or amendments thereto that (x) indicate the Collateral (1) as all assets of Borrower (or any portion of Borrower's assets) or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC of such jurisdiction, or (2) as being of an equal or lesser scope or with greater detail, and (y) contain any other information required by Part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment and (ii) ratifies its authorization for Lender to have filed any initial financial statements, or amendments thereto if filed prior to the date hereof. Borrower acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of Lender and agrees that it will not do so without the prior written consent of Lender, subject to Borrower's rights under Section 9-509(d)(2) of the UCC.

(d) Borrower hereby grants to Lender an irrevocable, non-exclusive license (exercisable upon the occurrence and during the continuance of an Event of Default without payment of royalty or other compensation to Borrower) to use, transfer, license or sublicense any Intellectual Property now owned, licensed to, or hereafter acquired by Borrower, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer and automatic machinery software and programs used for the compilation or printout thereof, and represents, promises and agrees that any such license or sublicense is not and will not be in conflict with the contractual or commercial rights of any third Person; provided, that such license will terminate on the termination of this agreement and the payment in full of all Obligations.

7. Representations, Warranties and Covenants Concerning the Collateral. Borrower represents, warrants (each of which such representations and warranties shall be deemed repeated upon the making of each request for a Revolving Credit Advance and made as of the time of each and every Revolving Credit Advance hereunder) and covenants as follows:

TRADEMARK
REEL: 003760 FRAME: 0469

(a) All of the Collateral (i) is owned by Borrower free and clear of all Liens (including any claims of infringement) except those in Lender's favor and Permitted Liens and (ii) is not subject to any agreement prohibiting the granting of a Lien or requiring notice of or consent to the granting of a Lien.

(b) Borrower shall not encumber, mortgage, pledge, assign or grant any Lien in any Collateral or any of Borrower's other assets to anyone other than Lender and except for Permitted Liens.

(c) The Liens granted pursuant to this Agreement, upon completion of the filings and other actions listed on Schedule 7(c) (which, in the case of all filings and other documents referred to in said Schedule, have been delivered to Lender in duly executed form) constitute valid perfected security interests in all of the Collateral in favor of Lender as security for the prompt and complete payment and performance of the Obligations, enforceable in accordance with the terms hereof against any and all creditors of and any purchasers from Borrower (other than purchasers of Inventory in the ordinary course of business) and such security interests are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens that have priority by operation of law.

(d) No effective security agreement, mortgage, deed of trust, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is or will be on file or of record in any public office, except those relating to Permitted Liens.

(e) Borrower shall not dispose of any of the Collateral whether by sale, lease or otherwise except for (i) the sale of Inventory in the ordinary course of business, and (ii) the disposition or transfer in the ordinary course of business during any fiscal year of obsolete and worn-out Equipment having an aggregate fair market value of not more than $10,000 and only to the extent that (x) the proceeds of any such disposition are used to acquire replacement Equipment which is subject to Lender's first priority security interest or (y) the proceeds of which are remitted to Lender in reduction of the Obligations.

(f) Borrower shall defend the right, title and interest of Lender in and to the Collateral against the claims and demands of all Persons whomsoever, and take such actions, including (i) all actions necessary to grant Lender "control" of any Investment Property, Deposit Accounts, Letter-of-Credit Rights or electronic Chattel Paper owned by Borrower, with any agreements establishing control to be in form and substance satisfactory to Lender, (ii) the prompt delivery to Lender of all original Instruments, Chattel Paper, negotiable Documents and certificated Stock owned by Borrower (in each case, accompanied by stock powers, allonges or other instruments of transfer executed in blank), (iii) notification of Lender's interest in Collateral at Lender's request, and (iv) the institution of litigation against third parties as shall be prudent in order to protect and preserve Borrower's and Lender's respective and several interests in the Collateral.

(g) Borrower shall promptly, and in any event within two (2) Business Days after the same is acquired by it, notify Lender of any commercial tort claim (as defined in the UCC) acquired by it and unless otherwise consented by Lender, Borrower shall enter into a supplement to this Loan Agreement granting to Lender a Lien in such commercial tort claim.

(h) Borrower shall place notations upon Borrower's Books and Records and any financial statement of Borrower to disclose Lender's Lien in the Collateral.

(i) If Borrower retains possession of any Chattel Paper or Instrument with Lender's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing

TRADEMARK
REEL: 003760 FRAME: 0470

and the obligations evidenced or secured hereby are subject to the security interest of Gerber Finance Inc."

(j) Borrower shall perform all other steps requested by Lender to create and maintain in Lender's favor a valid perfected first Lien in all Collateral subject only to Permitted Liens.

(k) As of the date of each Borrowing Base Certificate delivered to Lender, each Account listed thereon as an Eligible Account shall be an Eligible Account and all Inventory listed thereon as Eligible Inventory shall be Eligible Inventory. Borrower shall notify Lender promptly and in any event within two (2) Business Days after obtaining knowledge thereof (i) of any event or circumstance that to Borrower's knowledge would cause Lender to consider any then existing Account or Inventory as no longer constituting an Eligible Account or Eligible Inventory, as the case may be; (ii) of any material delay in Borrower's performance of any of its obligations to any Account Debtor; (iii) of any assertion by an Account Debtor of any material claims, offsets or counterclaims; (iv) of any allowances, credits and/or monies granted by Borrower to any Account Debtor; (v) of all material adverse information relating to the financial condition of an Account Debtor; (vi) of any material return of goods; and (vii) of any loss, damage or destruction of any of the Collateral.

(l) All Accounts (i) represent complete bona fide transactions which require no further act under any circumstances on Borrower's part to make such Accounts payable by the Account Debtors, (ii) to the best of Borrower's knowledge, are not subject to any present, future or contingent offsets or counterclaims, and (iii) do not represent bill and hold sales, consignment sales, guaranteed sales, sale or return or other similar understandings or obligations of any Affiliate or Subsidiary of Borrower. Borrower has not made, and will not make, any agreement with any Account Debtor for any extension of time for the payment of any Account, any compromise or settlement for less than the full amount thereof, any release of any Account Debtor from liability therefor, or any deduction therefrom except a discount or allowance for prompt or early payment allowed by Borrower in the ordinary course of its business consistent with historical practice and as previously disclosed to Lender in writing. Schedule 7(l) sets forth each contract of Borrower with any Account Debtor that gives such Account Debtor the right (under such contract, under common law or otherwise) to offset any Accounts for Borrower's failure to perform under such contract and Borrower has obtained an offset waiver for each such contract in form and substance satisfactory to Lender.

(m) Borrower shall keep and maintain the Equipment in good operating condition, except for ordinary wear and tear, and shall make all necessary repairs and replacements thereof so that the value and operating efficiency shall at all times be maintained and preserved. Borrower shall not permit any such items to become a Fixture to real estate or accessions to other personal property.

(n) All Inventory manufactured by Borrower in the United States of America shall be produced in accordance with the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto or promulgated thereunder.

(o) Borrower shall maintain and keep all of Borrower's Books and Records concerning the Collateral at Borrower's executive offices listed in Schedule 12(d).

(p) Borrower shall maintain and keep the Collateral at the addresses listed in Schedule 12(d), provided, that Borrower may change such locations or open a new location provided, that Borrower provides Lender thirty (30) days prior written notice of such change or new location and (ii) prior to such change or opening of a new location it executes and delivers to Lender such financing

TRADEMARK
REEL: 003760 FRAME: 0471

statements and other agreements as Lender may request, including landlord agreements, mortgagee agreements and warehouse agreements, each in form and substance satisfactory to Lender.

(q) Schedule 7(q) lists all banks and other financial institutions at which Borrower maintains deposits and/or other accounts, and such Schedule correctly identifies the name, address and telephone number of each such depository, the name in which the account is held, a description of the purpose of the account, and the complete account number. Borrower shall not establish any depository or other bank account of any with any financial institution (other than the accounts set forth on Schedule 7(q) without Lender's prior written consent.

8. Collateral Accounts. Borrower shall deposit all items of payment received as respects the Collateral to the Collateral Account. Borrower will irrevocably direct all present and future Account Debtors and other Persons obligated to make payments constituting Collateral to make such payments directly to the Collateral Account. All of Borrower's invoices, account statements and other written or oral communications directing, instructing, demanding or requesting payment of any Account of Borrower or any other amount constituting Collateral shall conspicuously direct that all payments be made to the Collateral Account and shall include the address for the Collateral Account. If, notwithstanding the instructions to Account Debtors to make payments to the Collateral Account, Borrower receives any payments, Borrower shall immediately deposit such payments into the Collateral Account. Until so deposited, Borrower shall hold all such payments in trust for and as the property of Lender and shall not commingle such payments with any of its other funds or property.

(b) All deposits in the Collateral Account shall constitute Proceeds. Lender from time to time may apply deposited funds in the Collateral Account to the payment of the Obligations, in any order or manner of application satisfactory to Lender.

(c) All items deposited in the Collateral Account shall be subject to final payment. If any such item is returned uncollected, Borrower will immediately pay Lender, or, for items deposited in the Collateral Account, the bank maintaining such account, the amount of that item, or such bank at its discretion may charge any uncollected item to Borrower's commercial account or other account at such bank. Borrower shall be liable as an endorser on all items deposited in the Collateral Account, whether or not in fact endorsed by Borrower.

9. Collection and Maintenance of Collateral.

(a) Lender may at any time verify Borrower's Accounts utilizing an audit control company or any other agent of Lender. Lender or Lender's designee may notify Account Debtors, at any time at Lender's sole discretion, of Lender's security interest in Accounts, collect them directly and charge the collection costs and expenses to Borrower's account, but, unless and until Lender does so or gives Borrower other instructions, Borrower shall collect all Accounts for Lender, receive all payments thereon for Lender's benefit in trust as Lender's trustee and immediately deliver them to Lender in their original form with all necessary endorsements or, as directed by Lender, deposit such payments as directed by Lender pursuant to Section 8.

(b) For purposes of determining the balance of the Loans outstanding, Lender will credit (conditional upon final collection) all such payments to Borrower's account upon receipt by Lender of good funds in dollars of the United States of America in Lender's account, provided, however, for purposes of computing interest on the Obligations, Lender will credit (conditional upon final collection) all such payments to Borrower's account three(3) Business Days after receipt by Lender of good funds in

TRADEMARK
REEL: 003760 FRAME: 0472

dollars of the United States of America in Lender's account. Any amount received by Lender after 12:00 noon (New York time) on any Business Day shall be deemed received on the next Business Day.

10. Inspections. At all times during normal business hours, Lender shall have the right to (a) have access to, visit, inspect, review, evaluate and make physical verification and appraisals of Borrower's properties and the Collateral, (b) inspect, examine and copy (or take originals if necessary) and make extracts from Borrower's Books and Records, including management letters prepared by independent accountants, and (c) discuss with Borrower's principal officers, and independent accountants, Borrower's business, assets, liabilities, financial condition, results of operations and business prospects. Borrower will deliver to Lender any instrument necessary for Lender to obtain records from any service bureau maintaining records for Borrower. If any internally prepared financial information, including that required under this paragraph is unsatisfactory in any manner to Lender, Lender may request that the Accountant's review the same.

11. Financial Reporting. Borrower will deliver, or cause to be delivered, to Lender each of the following, which shall be in form and detail acceptable to Lender:

(a) As soon as available, and in any event within ninety (90) days after the end of each fiscal year of Borrower, Borrower's reviewed or compiled financial statements with a review report the unqualified opinion of independent certified public accountants of recognized standing selected by Borrower and acceptable to Lender (the "Accountants"), which annual financial statements shall include Borrower's balance sheet as at the end of such fiscal year and the related statements of Borrower's income, retained earnings and cash flows for the fiscal year then ended, prepared, if Lender so requests, on a consolidating and consolidated basis to include any Affiliates, all in reasonable detail and prepared in accordance with GAAP, together with (i) copies of all management letters prepared by such accountants; (ii) a report signed by the Accountants stating that in making the investigations necessary for said opinion they obtained no knowledge, except as specifically stated, of any Default or Event of Default; and (iii) a certificate of Borrower's President or Chief Financial Officer stating that such financial statements have been prepared in accordance with GAAP and whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder and, if so, stating in reasonable detail the facts with respect thereto;

(b) As soon as available and in any event within thirty (30) days after the end of each quarter, an unaudited/internal balance sheet and statements of income, retained earnings and cash flows of Borrower as at the end of and for such quarter and for the year to date period then ended, prepared, if Lender so requests, on a consolidating and consolidated basis to include any Affiliates, in reasonable detail and stating in comparative form the figures for the corresponding date and periods in the previous year, all prepared in accordance with GAAP, subject to year-end audit adjustments; and accompanied by a certificate of Borrower's President or Chief Financial Officer, stating (i) that such financial statements have been prepared in accordance with GAAP, subject to year-end audit adjustments, and (ii) whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder not theretofore reported and remedied and, if so, stating in reasonable detail the facts with respect thereto;

(c) Within fifteen(15) days after the end of each month or more frequently if Lender so requests, agings of Borrower's Accounts and its accounts payable, a perpetual Inventory certification report, and a calculation of Borrower's Accounts, Eligible Accounts, Inventory and Eligible Inventory as at the end of such month or shorter time period in the form of Exhibit B;

(d) Together with each request for a Loan (but in no event later than the last day of each month) and at such intervals as Lender may request a Borrowing Base Certificate in the form of

TRADEMARK
REEL: 003760 FRAME: 0473

Exhibit C as of the last day of the previous Borrowing Base Certificate detailing ineligible Accounts and Inventory of adjustment to the Formula Amount, certified as true and correct by the President or Chief Financial Officer of Borrower;

(e) Together with each request for a Loan (but in no event later than the last day of each month) and at such other intervals as Lender may require: (i) copies of all entries to the sales journal and the cash receipt journal; (ii) copies of all credit memos; and (iii) copies of all invoices in excess of ten thousand dollars ($10,000), together with proof of delivery, in each case as and for the immediately preceding week;

(f) Promptly following Lender's request, receivable schedules, copies of invoices to Account Debtors, shipping documents, delivery receipts and such other material, reports, records or information as Lender may request;

(g) Promptly upon their distribution, copies of all financial statements, reports and proxy statements which Borrower shall have sent to its stockholders, promptly after the sending or filing thereof, copies of all regular and periodic reports which Borrower shall file with the Securities and Exchange Commission or any national securities exchange; and

(h) Borrower will cause each Guarantor to comply with the financial reporting requirements set forth in their respective Guaranties.

12. Additional Representations, Warranties and Covenants. Borrower represents, warrants (each of which such representations and warranties shall be deemed repeated upon the making of a request for a Revolving Credit Advance and made as of the time of each Revolving Credit Advance made hereunder), and covenants as follows:

(a) Borrower is a corporation or limited liability company, as applicable, duly organized and validly existing under the laws of the jurisdiction of its incorporation, organization or formation and duly qualified and in good standing in every other state or jurisdiction in which the nature of Borrower's business requires such qualification.

(b) The execution, delivery and performance of this Agreement and the Ancillary Agreements (i) have been duly authorized, (ii) are not in contravention of Borrower's certificate of incorporation or formation, by-laws, operating agreement or of any indenture, agreement or undertaking to which Borrower is a party or by which Borrower is bound and (iii) are within Borrower's corporate powers.

(c) This Agreement and the Ancillary Agreements executed and delivered by Borrower are Borrower's legal, valid and binding obligations, enforceable in accordance with their terms.

(d) Schedule 12(d) sets forth Borrower's name as it appears in official filing in the state of its incorporation or organization, the type of entity of Borrower, the organizational identification number issued by Borrower's state of incorporation or organization or a statement that no such number has been issued, Borrower's state of organization or incorporation, and the location of Borrower's chief executive office, corporate offices, warehouses, other locations of Collateral and locations where records with respect to Collateral are kept (including in each case the county of such locations) and, except as set forth in such Schedule 12(d), such locations have not changed during the preceding twelve months. As of the Closing Date, during the prior five years, except as set forth in Schedule 12(d), Borrower has not been

TRADEMARK
REEL: 003760 FRAME: 0474

known as or conducted business in any other name (including trade names). Borrower has only one state of incorporation or organization.

(e) Borrower will not change (i) its name as it appears in the official filings in the state of its incorporation or formation, (ii) the type of legal entity it is, (iii) its organization identification number, if any, issued by its state of incorporation or organization, (iv) its state of incorporation or organization or (v) amend its certificate of incorporation, by-laws, certificate of formation, operating agreement or other organizational document.

(f) Borrower is solvent, able to pay its debts as they mature, has capital sufficient to carry on its business and all businesses in which Borrower is about to engage and the fair saleable value of its assets (calculated on a going concern basis) is in excess of the amount of its liabilities.

(g) There is no pending or threatened litigation, action or proceeding which involves the possibility of having a Material Adverse Effect.

(h) All balance sheets and income statements which have been delivered to Lender fairly, accurately and properly state Borrower's financial condition on a basis consistent with that of previous financial statements and there has been no material adverse change in Borrower's financial condition as reflected in such statements since the date thereof and such statements do not fail to disclose any fact or facts which might have a Material Adverse Effect on Borrower's financial condition.

(i) Borrower possesses all of the Intellectual Property necessary to conduct its business. There has been no assertion or claim of violation or infringement with respect to any Intellectual Property. Schedule 12(i) sets forth all Intellectual Property of Borrower.

(j) Borrower will pay or discharge when due all taxes, assessments and governmental charges or levies imposed upon Borrower or any of the Collateral unless such amounts are being diligently contested in good faith by appropriate proceedings provided that (i) adequate reserves with respect thereto are maintained on the books of Borrower in conformity with GAAP and (ii) the related Lien shall have no effect on the priority of the Liens in favor of Lender or the value of the assets in which Lender has a Lien.

(k) Borrower will promptly inform Lender in writing of: (i) the commencement of all proceedings and investigations by or before and/or the receipt of any notices from, any governmental or nongovernmental body and all actions and proceedings in any court or before any arbitrator against or in any way concerning any event which might singly or in the aggregate, have a Material Adverse Effect; (ii) any amendment of Borrower's certificate of incorporation, by-laws, certification of formation, operating agreement or other organizational document; (iii) any change which has had or might have a Material Adverse Effect; (iv) any Event of Default or Default; (v) any default or any event which with the passage of time or giving of notice or both would constitute a default under any agreement for the payment of money to which Borrower is a party or by which Borrower or any of Borrower's properties may be bound which would have a Material Adverse Effect and (vii) any change in Borrower's name or any other name used in its business.

(l) Borrower will not (i) create, incur, assume or suffer to exist any indebtedness (exclusive of trade debt) whether secured or unsecured other than Borrower's indebtedness to Lender and as set forth on Schedule 12(l) attached hereto and made a part hereof; (ii) cancel any debt owing to it; (iii) not assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligations of any other Person, except the endorsement of negotiable instruments by Borrower for

TRADEMARK
REEL: 003760 FRAME: 0475

deposit or collection or similar transactions in the ordinary course of business; (iv) directly or indirectly declare, pay or make any dividend or distribution on any class of its Stock or apply any of its funds, property or assets to the purchase, redemption or other retirement of any Stock of Borrower except so long as (x) Borrower is an S Corporation within the meaning of the Internal Revenue Code of 1986, as amended, (y) no Default or Event of Default shall have occurred and be continuing and (z) after first providing such supporting documentation as Lender may request (including the personal state and federal tax returns of each shareholder), Borrower may pay Subchapter S Distributions not exceeding Subchapter S Tax Liabilities. Payments to shareholders shall be made so as to be available when the tax is due, including in respect of estimated tax payments. In the event (x) the actual Subchapter S Distributions to any shareholder exceeds the actual income tax liability of such shareholder due to Borrower's status as an S Corporation or (y) Borrower would be entitled to a refund of income taxes previously paid as a result of a tax loss during a year in which Borrower is an S Corporation, then the applicable shareholders shall repay Borrower the amount of such excess or refund, as the case may be, no later than the date Borrower's annual tax return must be filed by Borrower (without giving effect to any filing extensions). In the event such amounts are not repaid in a timely manner by the applicable shareholder, then Borrower shall not pay or make any Subchapter S Distribution with respect to, or purchase, redeem or retire, any stock of Borrower held or controlled by, directly or indirectly, such shareholder until such payment has been made; (v) purchase or hold beneficially any Stock or other securities or evidences of indebtedness of, make or permit to exist any loans or advances to, or make any investment or acquire any interest whatsoever in, any other Person, including any partnership or joint venture, except travel advances or loans to Borrower's officers and employees not exceeding at any one time an aggregate of $10,000; (vi) create or permit to exist any Subsidiary, other than any Subsidiary in existence on the date hereof and listed in Schedule 12(m); (vii) directly or indirectly, prepay any indebtedness (other than to Lender), or repurchase, redeem, retire or otherwise acquire any indebtedness; (viii) enter into any merger, consolidation or other reorganization with or into any other Person or acquire all or a portion of the assets or Stock of any Person or permit any other Person to consolidate with or merge with it; (ix) materially change the nature of the business in which it is presently engaged; (x) change its fiscal year or make any changes in accounting treatment and reporting practices without prior written notice to Lender except as required by GAAP or in the tax reporting treatment or except as required by law; (xi) enter into any transaction with any employee, director or Affiliate, except in the ordinary course on arms-length terms; or (xii) bill Accounts under any name except the present name of Borrower; or (xiii) directly or indirectly, redeem, repurchase, retire or otherwise acquire or make any payment or distribution with respect to the Subordinated Debt except to the extent permitted pursuant to the applicable Subordination Agreement; or (xiv) change or modify the terms of any Subordinated Debt (or any indenture or agreement in connection therewith).

(m) All Projections of Borrower's performance prepared by Borrower or at Borrower's direction and delivered to Lender will represent, at the time of delivery to Lender, Borrower's best estimate of Borrower's future financial performance and will be based upon assumptions which are reasonable in light of Borrower's past performance and then current business conditions.

(n) None of the proceeds of the Loans hereunder will be used directly or indirectly to "purchase" or "carry" "margin stock" or to repay indebtedness incurred to "purchase" or "carry" "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect.

(o) Borrower will bear the full risk of loss from any loss of any nature whatsoever with respect to the Collateral. At Borrower's own cost and expense in amounts and with carriers acceptable to Lender, Borrower shall (i) keep all its insurable properties and properties in which it has an interest insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended

TRADEMARK
REEL: 003760 FRAME: 0476

coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to Borrower's including business interruption insurance; (ii) maintain a bond in such amounts as is customary in the case of companies engaged in businesses similar to Borrower's insuring against larceny, embezzlement or other criminal misappropriation of insured's officers and employees who may either singly or jointly with others at any time have access to the assets or funds of Borrower either directly or through Governmental Authority to draw upon such funds or to direct generally the disposition of such assets; (iii) maintain public and product liability insurance against claims for personal injury, death or property damage suffered by others; (iv) maintain all such worker's compensation or similar insurance as may be required under the laws of any state or jurisdiction in which Borrower is engaged in business; and (v) furnish Lender with (x) copies of all policies and evidence of the maintenance of such policies at least thirty (30) days before any expiration date, (y) endorsements to such policies naming Lender as "co-insured" or "additional insured" and appropriate loss payable endorsements in form and substance satisfactory to Lender, naming Lender as loss payee, and (z) evidence that as to Lender the insurance coverage shall not be impaired or invalidated by any act or neglect of Borrower and the insurer will provide Lender with at least thirty (30) days notice prior to cancellation. Borrower shall instruct the insurance carriers that in the event of any loss thereunder, the carriers shall make payment for such loss to lender and not to Borrower and Lender jointly. If any insurance losses are paid by check, draft or other instrument payable to Borrower and Lender jointly, Lender may endorse Borrower's name thereon and do such other things as Lender may deem advisable to reduce the same to cash. Lender is hereby authorized to adjust and compromise claims. All loss recoveries received by Lender upon any such insurance may be applied to the Obligations, in such order as Lender in its sole discretion shall determine. Any surplus shall be paid by Lender to Borrower or applied as may be otherwise required by law. Any deficiency thereon shall be paid by Borrower to Lender, on demand.

(p) (i) Borrower has delivered to Lender all environmental assessments, audits, reports, permits, licenses and other documents describing or relating in any way to Borrower's business or its property.

(ii) The operation of each Borrower's business is and will continue to be in compliance in all material respects with all applicable federal, state and local laws, rules and ordinances, including to all laws, rules, regulations and orders relating to taxes, payment and withholding of payroll taxes, employer and employee contributions and similar items, securities, employee retirement and welfare benefits, employee health safety and environmental matters.

(iii) In the event Borrower obtains, gives or receives notice of any release or threat of release of a reportable quantity of any hazardous substances on its property (any such event being hereinafter referred to as a "Hazardous Discharge") or receives any notice of violation, request for information or notification that it is potentially responsible for investigation or cleanup of environmental conditions on its property, demand letter or complaint, order, citation, or other written notice with regard to any Hazardous Discharge or violation of any environmental laws affecting its property or Borrower's interest therein (any of the foregoing is referred to herein as an "Environmental Complaint") from any Person or entity, including any Governmental Authority responsible in whole or in part for environmental matters in the state in which such property is located or the United States Environmental Protection Agency, then Borrower shall, within seven (7) days, give written notice of same to Lender detailing facts and circumstances of which Borrower is aware giving rise to the Hazardous Discharge or Environmental Complaint and periodically inform Lender of the status of the matter. Such information is to be provided to allow Lender to protect its security interest in the Collateral and is not intended to create nor shall it create any obligation upon Lender with respect thereto.

TRADEMARK
REEL: 003760 FRAME: 0477

(iv) Borrower shall respond promptly to any Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any Person and to avoid subjecting the Collateral to any Lien. If Borrower shall fail to respond promptly to any Hazardous Discharge or Environmental Complaint or Borrower shall fail to comply with any of the requirements of any environmental laws, Lender may, but without the obligation to do so, for the sole purpose of protecting Lender's interest in Collateral: (A) give such notices or (B) enter onto Borrower's property (or authorize third parties to enter onto such property) and take such actions as Lender (or such third parties as directed by Lender) deems reasonably necessary or advisable, to clean up, remove, mitigate or otherwise deal with any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Lender (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended at the Default Rate for Revolving Credit Advances shall be paid upon demand by Borrower, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Lender and Borrower.

(v) Borrower shall defend and indemnify Lender and hold Lender harmless from and against all loss, liability, damage and expense, claims, costs, fines and penalties, including attorney's fees, suffered or incurred by Lender under or on account of any environmental laws, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any hazardous substances affecting Borrower's property, whether or not the same originates or emerges from Borrower's property or any contiguous real estate, including any loss of value of the Collateral as a result of the foregoing except to the extent such loss, liability, damage and expense is attributable to any Hazardous Discharge resulting from actions on the part of Lender. Borrower's obligations under this Section 12(f) shall arise upon the discovery of the presence of any hazardous substances on Borrower's property, whether or not any federal, state, or local environmental agency has taken or threatened any action in connection with the presence of any hazardous substances. Borrower's obligation and the indemnifications hereunder shall survive the termination of this Agreement;

(vi) For purposes of Section 12(f), all references to Borrower's property shall be deemed to include all of Borrower's right, title and interest in and to all owned and/or leased premises.

(q) Based upon the ERISA: (i) Borrower has not engaged in any Prohibited Transactions as defined in Section 406 of ERISA and Section 4975 of the Internal Revenue Code, as amended; (ii) Borrower has met all applicable minimum funding requirements under Section 302 of ERISA in respect of its plans; (iii) Borrower has no knowledge of any event or occurrence which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Title IV of ERISA to terminate any employee benefit plan(s); (iv) Borrower has no fiduciary responsibility for investments with respect to any plan existing for the benefit of persons other than Borrower's employees; and (v) Borrower has not withdrawn, completely or partially, from any multi-employer pension plan so as to incur liability under the Multiemployer Pension Plan Amendments Act of 1980.

13. Financial Covenants.

(a) Borrower' liabilities at the end of each quarter shall not exceed Borrower's Net Worth.

TRADEMARK
REEL: 003760 FRAME: 0478

(b) Borrower and its Subsidiaries shall not incur a loss in any fiscal quarter

For purposes of this Agreement, a breach of any financial covenants set forth herein shall be deemed to have occurred as of any date of determination by Lender or as of the last day of any specified measurement period, regardless of when the financial statements reflecting such breach are delivered to Lender.

14. Further Assurances. At any time and from time to time, upon the written request of Lender and at the sole expense of Borrower, Borrower shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Lender may request (a) to obtain the full benefits of this Agreement and the Ancillary Agreements, (b) to protect, preserve and maintain Lender's rights in the Collateral and under this Agreement or any Ancillary Agreement, or (c) to enable Lender to exercise all or any of the rights and powers herein granted or any Ancillary Agreement.

15. Power of Attorney. Borrower hereby appoints Lender or any other Person whom Lender may designate as Borrower's attorney, with power to: (i) endorse Borrower's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into Lender's possession; (ii) sign Borrower's name on any invoice or bill of lading relating to any Accounts, drafts against Account Debtors, schedules and assignments of Accounts, notices of assignment, financing statements and other public records, verifications of Accounts and notices to or from Account Debtors; (iii) verify the validity, amount or any other matter relating to any Account by mail, telephone, telegraph or otherwise with Account Debtors; (iv) execute customs declarations and such other documents as may be required to clear Inventory through Customs; (v) do all things necessary to carry out this Agreement, any Ancillary Agreement and all related documents; and (vi) on or after the occurrence and continuation of an Event of Default, notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender, and to receive, open and dispose of all mail addressed to Borrower. Borrower hereby ratifies and approves all acts of the attorney. Neither Lender nor the attorney will be liable for any acts or omissions or for any error of judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable so long as Lender has a security interest and until the Obligations have been fully satisfied.

16. Term of Agreement. Any obligation of Lender to make Loans and extend their financial accommodations under this Agreement or any Ancillary Agreement shall continue in full force and effect until the expiration of the Term. The termination of the Agreement shall not affect any of Lender's rights hereunder or any Ancillary Agreement and the provisions hereof and thereof shall continue to be fully operative until all transactions entered into, rights or interests created and the Obligations have been disposed of, concluded or liquidated. The Termination Date shall be automatically extended for successive periods of one (1) year each unless Borrower shall have provided Lender with a written notice of termination, at least sixty (60) days prior to the expiration of the Termination Date or any renewal of the Termination Date. Notwithstanding the foregoing, Lender shall release its security interests at any time after thirty (30) days notice upon payment to it of all Obligations if Borrower shall have (i) provided Lender with an executed release of any and all claims which Borrower may have or thereafter have under this Agreement and/or any Ancillary Agreement and (ii) paid to Lender an early payment fee in an amount equal as follows: (a) If terminated within twelve (12) months of the Closing Date, Borrower shall pay the Minimum Loan Interest for the full year and 2% of the Maximum Credit Facility on the annual anniversary date, if terminated after the first annul anniversary date 1% of the Maximum Credit Facility will be charged. Such early payment fee shall also be due and payable by Borrower to Lender upon termination of this Agreement by Lender after the occurrence of an Event of Default.

TRADEMARK
REEL: 003760 FRAME: 0479

17. Termination of Lien. The Liens and rights granted to Lender hereunder and any Ancillary Agreements and the financing statements filed in connection herewith or therewith shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that Borrower's account may from time to time be temporarily in a zero or credit position, until (a) all of the Obligations of Borrower have been paid or performed in full after the termination of this Agreement or Borrower has furnished Lender with an indemnification satisfactory to Lender with respect thereto and (b) Borrower has an executed release of any and all claims which Borrower may have or thereafter have under this Agreement or any other Ancillary Agreement. Accordingly, Borrower waives any rights which it may have under the UCC to demand the filing of termination statements with respect to the Collateral, and Lender shall not be required to send such termination statements to Borrower, or to file them with any filing office, unless and until this Agreement and the Ancillary Agreements shall have been terminated in accordance with their terms and all Obligations paid in full in immediately available funds.

18. Events of Default. The occurrence of any of the following shall constitute an Event of Default:

(a) failure to make payment of any of the Obligations when required hereunder;

(b) failure to pay any taxes when due unless such taxes are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been provided on Borrower's books;

(c) failure to perform under and/or committing any breach of this Agreement or any Ancillary Agreement or any other agreement between Borrower and Lender;

(d) the occurrence of a default under any agreement to which Borrower is a party with third parties which has a Material Adverse Effect;

(e) any representation, warranty or statement made by Borrower hereunder, in any Ancillary Agreement, any certificate, statement or document delivered pursuant to the terms hereof, or in connection with the transactions contemplated by this Agreement should at any time be false or misleading in any material respect;

(f) if any Guarantor or Validity Guarantor attempts to terminate, challenges the validity of, or its liability under any Guaranty Agreement, any Guarantor Security Agreement or any Validity Agreement or if any individual Guarantor or Validity Guarantor shall die and Borrower shall fail to provide Lender with a replacement Guarantor acceptable to Lender within thirty (30) days of such occurrence or if any other Guarantor shall cease to exist;

(g) should any Guarantor default in its obligations under any Guaranty Agreement, any Guarantor Security Agreement or any Validity Guarantor or if any proceeding shall be brought to challenge the validity, binding effect of any Guaranty Agreement, or any Guarantor Security Agreement or any Validity Guaranty, or should any Guarantor or Validity Guarantor breach any representation, warranty or covenant contained in any Guaranty Agreement, any Validity Agreement or any Guarantor Security Agreement or should any Guaranty Agreement or Guarantor Security Agreement cease to be a valid, binding and enforceable obligation;

(h) an attachment or levy is made upon any of Borrower's assets having an aggregate value in excess of $10,000 or a judgment is rendered against Borrower or any of Borrower's property

TRADEMARK
REEL: 003760 FRAME: 0480

involving a liability of more than $10,000 which shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days from the entry thereof;

(i) any change in Borrower's condition or affairs (financial or otherwise) which in Lender's opinion impairs the Collateral or the ability of Borrower to perform its Obligations;

(j) any Lien created hereunder or under any Ancillary Agreement for any reason ceases to be or is not a valid and perfected Lien having a first priority interest;

(k) if Borrower shall (i) apply for, consent to or suffer to exist the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing;

(l) Borrower shall admit in writing its inability, or be generally unable to pay its debts as they become due or cease operations of its present business;

(m) any Affiliate or any Subsidiary or any Guarantor shall (i) apply for, consent to or suffer to exist the appointment of, or the taking possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws or (viii) take any action for the purpose of effecting any of the foregoing;

(n) Borrower directly or indirectly sells, assigns, transfers, conveys, or suffers or permits to occur any sale, assignment, transfer or conveyance of any assets of Borrower or any interest therein, except as permitted herein;

(o) Borrower fails to operate in the ordinary course of business;

(p) Lender shall in good faith deem itself insecure or unsafe or shall fear diminution in value, removal or waste of the Collateral;

(q) a default by Borrower in the payment, when due, of any principal of or interest on any indebtedness for money borrowed;

(r) the occurrence of a Change of Control or a change in senior management of Borrower;

(s) the indictment or threatened indictment of Borrower, any officer of Borrower or any Guarantor under any criminal statute, or commencement or threatened commencement of criminal or civil proceeding against Borrower, any officer of Borrower or any Guarantor pursuant to which statute or

TRADEMARK
REEL: 003760 FRAME: 0481

proceeding penalties or remedies sought or available include forfeiture of any of the property of Borrower or any Guarantor; or

(t) Borrower shall take or participate in any action which would be prohibited under the provisions of any Subordination Agreement or Intercreditor Agreement or make any payment on the Subordinated Debt that any Person was not entitled to receive under the provisions of the applicable Subordination Agreement or Intercreditor Agreement.

19. Remedies. Upon the occurrence of an Event of Default pursuant to Section 18(k) herein, all Obligations shall be immediately due and payable and this Agreement shall be deemed terminated; upon the occurrence and continuation of any other of the Events of Default, Lender shall have the right to demand repayment in full of all Obligations, whether or not otherwise due. Until all Obligations have been fully satisfied, Lender shall retain its Lien in all Collateral. Lender shall have, in addition to all other rights provided herein, the rights and remedies of a secured party under the UCC, and under other applicable law, all other legal and equitable rights to which Lender may be entitled, including the right to take immediate possession of the Collateral, to require Borrower to assemble the Collateral, at Borrower's expense, and to make it available to Lender at a place designated by Lender which is reasonably convenient to both parties and to enter any of the premises of Borrower or wherever the Collateral shall be located, with or without force or process of law, and to keep and store the same on said premises until sold (and if said premises be the property of Borrower, Borrower agrees not to charge Lender for storage thereof), and the right to apply for the appointment of a receiver for Borrower's property. Further, Lender may, at any time or times after default by Borrower, sell and deliver all Collateral held by or for Lender at public or private sale for cash, upon credit or otherwise, at such prices and upon such terms as Lender, in Lender's sole discretion, deems advisable or Lender may otherwise recover upon the Collateral in any commercially reasonable manner as Lender, in its sole discretion, deems advisable. The requirement of reasonable notice shall be met if such notice is mailed postage prepaid to Borrower at Borrower's address as shown in Lender's records, at least ten (10) days before the time of the event of which notice is being given. Lender may be the purchaser at any sale, if it is public. In connection with the exercise of the foregoing remedies, Lender is granted permission to use all of Borrower's trademarks, tradenames, tradestyles, patents, patent applications, licenses, franchises and other proprietary rights which are used in connection with (a) Inventory for the purpose of disposing of such Inventory and (b) Equipment for the purpose of completing the manufacture of unfinished goods. The proceeds of sale shall be applied first to all costs and expenses of sale, including attorneys' fees, and second to the payment (in whatever order Lender elects) of all Obligations (including the cash collateralization of any Letter of Credit Obligations). After the indefeasible payment and satisfaction in full in cash of all of the Obligations, and after the payment by Lender of any other amount required by any provision of law, including Section 608(a)(1) of the Code (but only after Lender has received what Lender considers reasonable proof of a subordinate party's security interest), the surplus, if any, shall be paid to Borrower or its representatives or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Borrower shall remain liable to Lender for any deficiency.

20. Waivers. To the full extent permitted by applicable law, Borrower waives (a) presentment, demand and protest, and notice of presentment, dishonor, intent to accelerate, acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all of this Agreement and the Ancillary Agreements or any other notes, commercial paper, Accounts, Contracts, Documents, Instruments, Chattel Paper and guaranties at any time held by Lender on which Borrower may in any way be liable, and hereby ratifies and confirms whatever Lender may do in this regard; (b) all rights to notice and a hearing prior to Lender's taking possession or control of, or to

TRADEMARK
REEL: 003760 FRAME: 0482

Lender's replevy, attachment or levy upon, any Collateral or any bond or security that might be required by any court prior to allowing Lender to exercise any of its remedies; and (c) the benefit of all valuation, appraisal and exemption laws. Borrower acknowledges that it has been advised by counsel of its choices and decisions with respect to this Agreement, the Ancillary Agreements and the transactions evidenced hereby and thereby.

21. Expenses. Borrower shall pay all of Lender's out-of-pocket costs and expenses, including reasonable fees and disbursements of counsel and appraisers, in connection with the preparation, execution and delivery of this Agreement and the Ancillary Agreements, and in connection with the prosecution or defense of any action, contest, dispute, suit or proceeding concerning any matter in any way arising out of, related to or connected with this Agreement or any Ancillary Agreement. Borrower shall also pay all of Lender's fees, charges, out-of-pocket costs and expenses, including reasonable fees and disbursements of counsel and appraisers, in connection with (a) the preparation, execution and delivery of any waiver, any amendment thereto or consent proposed or executed in connection with the transactions contemplated by this Agreement or the Ancillary Agreements, (b) Lender's obtaining performance of the Obligations under this Agreement and any Ancillary Agreement, including, but not limited to, the enforcement or defense of Lender's security interests, assignments of rights and Liens hereunder as valid perfected security interests, (c) any attempt to inspect, verify, protect, collect, sell, liquidate or otherwise dispose of any Collateral, (d) any appraisals or re-appraisals of any property (real or personal) pledged to Lender by Borrower as Collateral for, or any other Person as security for, Borrower's Obligations hereunder and (e) any consultations in connection with any of the foregoing. Borrower shall also pay Lender's customary bank charges for all bank services (including wire transfers) performed or caused to be performed by Lender for Borrower at Borrower's request or in connection with Borrower's loan account with Lender. All such costs and expenses together with all filing, recording and search fees, taxes and interest payable by Borrower to Lender shall be payable on demand and shall be secured by the Collateral. If any tax by any Governmental Authority is or may be imposed on or as a result of any transaction between Borrower and Lender which Lender is or may be required to withhold or pay, Borrower agrees to indemnify and hold Lender harmless in respect of such taxes, and Borrower will repay to Lender the amount of any such taxes which shall be charged to Borrower's account; and until Borrower shall furnish Lender with indemnity therefor (or supply Lender with evidence satisfactory to it that due provision for the payment thereof has been made), Lender may hold without interest any balance standing to Borrower's credit and Lender shall retain its Liens in any and all Collateral.

22. Assignment By Lender. Lender may assign any or all of the Obligations together with any or all of the security therefor and any transferee shall succeed to all of Lender's rights with respect thereto. Upon such transfer, Lender shall be released from all responsibility for the Collateral to the extent same is assigned to any transferee. Lender may from time to time sell or otherwise grant participations in any of the Obligations and the holder of any such participation shall, subject to the terms of any agreement between Lender and such holder, be entitled to the same benefits as Lender with respect to any security for the Obligations in which such holder is a participant. Borrower agrees that each such holder may exercise any and all rights of banker's lien, set-off and counterclaim with respect to its participation in the Obligations as fully as though Borrower were directly indebted to such holder in the amount of such participation.

23. No Waiver; Cumulative Remedies. Failure by Lender to exercise any right, remedy or option under this Agreement, any Ancillary Agreement or any supplement hereto or thereto or any other agreement between Borrower and Lender or delay by Lender in exercising the same, will not operate as a waiver; no waiver by Lender will be effective unless it is in writing and then only to the extent

TRADEMARK
REEL: 003760 FRAME: 0483

specifically stated. Lender's rights and remedies under this Agreement and the Ancillary Agreements will be cumulative and not exclusive of any other right or remedy which Lender may have.

24. Application of Payments. Borrower irrevocably waives the right to direct the application of any and all payments at any time or times hereafter received by Lender from or on Borrower's behalf and Borrower hereby irrevocably agrees that Lender shall have the continuing exclusive right to apply and reapply any and all payments received at any time or times hereafter against Borrower's Obligations hereunder in such manner as Lender may deem advisable notwithstanding any entry by Lender upon any of Lender's books and records.

25. Indemnity. Borrower agrees to indemnify and hold Lender and its affiliates, and their respective employees, attorneys and agents (each, an "Indemnified Person"), harmless from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses of any kind or nature whatsoever (including attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) which may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement or any of the Ancillary Agreements or with respect to the execution, delivery, enforcement, performance and administration of, or in any other way arising out of or relating to, this Agreement, the Ancillary Agreements or any other documents or transactions contemplated by or referred to herein or therein and any actions or failures to act with respect to any of the foregoing, except to the extent that any such indemnified liability is finally determined by a court of competent jurisdiction to have resulted solely from such Indemnified Person's gross negligence or willful misconduct. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO BORROWER OR TO ANY OTHER PARTY OR TO ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER THIS AGREEMENT OR ANY ANCILLARY AGREEMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

26. Revival. Borrower further agrees that to the extent Borrower makes a payment or payments to Lender, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made.

27. Notices. Any notice or request hereunder may be given to Borrower or Lender at the respective addresses set forth below or as may hereafter be specified in a notice designated as a change of address under this Section. Any notice or request hereunder shall be given by registered or certified mail, return receipt requested, hand delivery, overnight mail or telecopy (confirmed by mail). Notices and requests shall be, in the case of those by hand delivery, deemed to have been given when delivered to any officer of the party to whom it is addressed, in the case of those by mail or overnight mail, deemed to have been given when deposited in the mail or with the overnight mail carrier, and, in the case of a telecopy, when confirmed.

Notices shall be provided as follows:

If to Lender: Gerber Finance Inc.
110 East 55th Street, 7th Floor

TRADEMARK
REEL: 003760 FRAME: 0484

New York, New York 10022-1540
Attention: Jennifer McGuinness
Telephone: 212-888-3833
Telecopier: 212-888-1637

If to Borrower: Nicaragua Tobacco Imports, Inc.
~~2313 NW 7th Avenue~~ 3604 NW 7th Street
Miami, Florida 331~~37~~ 35
Attention: Alberto Gutman
Telephone: 305-573-0222
Telecopier: 305-573-0226

28. Governing Law, Jurisdiction and Waiver of Jury Trial. (a) THIS AGREEMENT AND THE ANCILLARY AGREEMENTS SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

(b) BORROWER HEREBY CONSENTS AND AGREES THAT THE FEDERAL COURTS LOCATED IN THE SOUTHERN DISTRICT OF NEW YORK AND THE STATE COURTS LOCATED IN NEW YORK COUNTY, THE STATE OF NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN BORROWER AND LENDER PERTAINING TO THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS; PROVIDED, THAT LENDER AND BORROWER ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK; AND FURTHER PROVIDED, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO COLLECT THE OBLIGATIONS, TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF LENDER. BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND BORROWER HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWER AT THE ADDRESS SET FORTH IN SECTION 27 AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF BORROWER'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

(c) THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE BETWEEN LENDER AND BORROWER ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED

TRADEMARK
REEL: 003760 FRAME: 0485

BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR THE TRANSACTIONS RELATED THERETO.

29. Limitation of Liability. Borrower acknowledges and understands that in order to assure repayment of the Obligations hereunder Lender may be required to exercise any and all of Lender's rights and remedies hereunder and agrees that neither Lender nor any of Lender's agents shall be liable for acts taken or omissions made in connection herewith or therewith except for actual bad faith.

30. Entire Understanding. This Agreement and the Ancillary Agreements contain the entire understanding between Borrower and Lender and any promises, representations, warranties or guarantees not herein contained shall have no force and effect unless in writing, signed by Borrower's and Lender's respective officers. Neither this Agreement, the Ancillary Agreements, nor any portion or provisions thereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged.

31. Severability. Wherever possible each provision of this Agreement or the Ancillary Agreements shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement or the Ancillary Agreements shall be prohibited by or invalid under applicable law such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions thereof.

32. Captions. All captions are and shall be without substantive meaning or content of any kind whatsoever.

33. Counterparts; Telecopier Signatures. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same agreement. Any signature delivered by a party via telecopier transmission shall be deemed to be any original signature hereto.

34. Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits thereto.

35. Publicity. Borrower hereby authorizes Lender to make appropriate announcements of the financial arrangement entered into by and between Borrower and Lender, including, without limitation, announcements which are commonly known as tombstones, in such publications and to such selected parties as Lender shall in its sole and absolute discretion deem appropriate.

TRADEMARK
REEL: 003760 FRAME: 0486

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

NICARAGUA TOBACCO IMPORTS, INC.

By:_____
Name: Jorge Salazar
Title: President

GERBER FINANCE INC.

By:_____
Name: Fred Meagher
Title: Executive Vice President

TRADEMARK
REEL: 003760 FRAME: 0487

SCHEDULES
(Please complete)

Schedule 1(A) - Commercial Tort Claims

N/A

Schedule 1(B) - Permitted Liens (Please refer to the Definitions)

N/A

Schedule 7(c) - Actions for Perfection (Please refer to Section 7(c))

NONE

Schedule 7(l) - Offset Risk (Please refer to Section 7(l))

N/A

Schedule 7(q) - Bank Accounts (Please refer to Section 7(q))

BANK of FLORIDA.

Schedule 12 (d) (Please refer to Section 12(d))

- Official Name
  NICARAGUA TOBACCO IMPORTS, INC DBA CUBAN CRAFTERS.
- Type of Entity (e.g., corporation, partnership, limited partnership, limited liability company)
  CORPORATION
- State of Incorporation or Organization
  MIAMI, FLORIDA.
- Organization Identification Number Issued by State of Incorporation or Organization
  [Or Statement that no such number has been issued]
  68-0497027
- Chief Executive Office County/State [be sure to include names of counties]
  MIAMI, FLORIDA.

- Locations of Inventory and other Collateral County/State [be sure to include names of counties]
  3604 N.W. 7TH ST.
  MIAMI, FL. 33125
- Other corporate names or trade names if any
  CUBAN CRAFTERS.

Schedule 12(i) - Licenses, Patents, Trademarks and Copyrights (Please refer to Section 12(i))

NO. 29/279,747 / 78-241,785 / 78-241,747 / 2,934,273 / 3,142,814 / 3,222,884 / 2,973,240, 2,953,846.

Schedule 12(l) - Permitted Indebtedness (Please refer to Section 12(l)

NONE

Schedule 12(m)-Subsidiaries (Please refer to Section 12(1)

N/A.

Exhibit A

PROMISSORY NOTE

$500,000 August 24, 2007

This Promissory Note (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated as of August 24, 2007 (as amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and between **Nicaragua Tobacco Imports, Inc.** a Florida corporation ("Borrower"), and **Gerber Finance Inc.** ("Lender"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrower promises to pay to the order of Lender at its offices located at 110 East 55th Street, New York, New York 10022 or at such other place as the holder hereof may from time to time designate to Borrower in writing:

(i) the principal sum of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS ($500,000), or if different from such amount, the unpaid principal balance of Loans as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement, or earlier termination of the Loan Agreement pursuant to the terms thereof; and

(ii) interest on the principal amount of this Note from time to time outstanding, payable at the applicable Contract Rate in accordance with the provisions of the Loan Agreement. Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is the Note referred to in the Loan Agreement and is secured, inter alia, by the liens granted pursuant to the Loan Agreement and the Ancillary Agreements, is entitled to the benefits of the Loan Agreement and the Ancillary Agreements, and is subject to all of the agreements, terms and conditions therein contained.

This Note may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 18(k) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Ancillary Agreements which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

To the fullest extent permitted by applicable law, Borrower waives: (a) presentment, demand and protest, and notice of presentment, dishonor, intent to accelerate, acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all of the

TRADEMARK
REEL: 003760 FRAME: 0490

Obligations, the Loan Agreement, this Note or any other Ancillary Agreement; (b) all rights to notice and a hearing prior to Lender's taking possession or control of, or to Lender's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Lender to exercise any of its remedies; and (c) the benefit of all valuation, appraisal and exemption laws.

Borrower acknowledges that this Note is executed as part of a commercial transaction and that the proceeds of this Note will not be used for any personal or consumer purpose.

Borrower agrees to pay to Lender all fees and expenses described in the Loan Agreement and the Ancillary Agreements.

NICARGUA TOBACCO IMPORTS, INC.
By: _____
Jorge Salazar
President

STATE OF Florida)
: ss.:
COUNTY OF MIAMI-DADE

On the 22 day of ~~September~~ October 2007, before me personally came Enrique Berger, to me known, who being by me duly sworn, did depose and say that he is the President of Nicaragua Tobacco Imports, Inc. the corporation described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto by order of the board of directors of said corporation.

_____
Notary Public

ROSEMARY CARPIO
Comm# DD0272007
Expires 12/14/2007
Bonded thru (800)432-4254
Florida Notary Assn., Inc