

09-06-2006

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



U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office

RE 103302810  
TRADEMARKS ONLY

303 AUG 21 AM 12:04

8-31-06

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

FINANCE SECTION

1. Name of conveying party(ies):

Charles Leonard Inc.

- Individual(s)
- General Partnership
- Corporation- State: New York
- Other \_\_\_\_\_
- Association
- Limited Partnership

Citizenship (see guidelines) New York

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: Commerce Bank, N.A.

Internal

Address: \_\_\_\_\_

Street Address: 45 Melville Park Road

City: Melville

State: New York

Country: U.S.A.

Zip: 11747

- Association Citizenship \_\_\_\_\_
- General Partnership Citizenship \_\_\_\_\_
- Limited Partnership Citizenship \_\_\_\_\_
- Corporation Citizenship \_\_\_\_\_
- Other Nat'l Banking Ass Citizenship New York

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) 08/24/2006

- Assignment
- Security Agreement
- Other \_\_\_\_\_
- Merger
- Change of Name

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2577877 and 2548619

Additional sheet(s) attached?  Yes  No

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

CYBER PENS Reg. No. 2577877 June 11, 2002  
CREATIVE ARTS Reg. No. 2548619 March 12, 2002

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

Name: Lisa K. Doran, Esq.

Internal Address: \_\_\_\_\_

Street Address: 1305 Franklin Avenue

City: Garden City

State: New York Zip: 11530

Phone Number: (516) 746-7799

Fax Number: (516) 742-4946

Email Address: ldoran@reismanpeirez.com

6. Total number of applications and registrations involved:

Two (2)

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ \_\_\_\_\_

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers \_\_\_\_\_  
Expiration Date \_\_\_\_\_

b. Deposit Account Number \_\_\_\_\_  
Authorized User Name \_\_\_\_\_

9. Signature:

Signature

8/31/06  
Date

09/05/2006 DBYRNE 00000242 2577877

01 FC:6521  
02 FC:6522  
40.00-00  
2577877 Person Signing

Total number of pages including cover sheet, attachments, and document: 88

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

TRADEMARK  
REEL: 003390 FRAME: 0744

**LOAN AND SECURITY AGREEMENT**

CHARLES LEONARD, INC.

and

COMMERCE BANK, N.A.

Dated as of August 24, 2006

division, conversion, dissolution or liquidation which results in a Change of Control of Borrower or such Subsidiary.

Authorized Officer - Any officer (or comparable equivalent) of Borrower authorized by specific resolution of Borrower to request Advances or execute Semi-Annual Compliance Certificates as set forth in the incumbency certificate referred to in Section 4.1(d) of this Agreement.

Bank Affiliate - Any bank that is controlled by Lender. A bank shall be deemed controlled by Lender if (i) Lender, directly or indirectly, or acting through one or more other Persons, owns, controls or has power to vote twenty-five percent (25%) or more of any class of voting securities of the bank; or (ii) Lender controls in any manner the election of a majority of the directors or trustees of the bank.

Bank of New York Letter Agreement - That certain Control Agreement to be executed by The Bank of New York, Lender and each Depositor on or prior to the Closing Date.

Base Rate - The "Prime Rate" of interest as published in the "Money Rates" section of The Wall Street Journal on the applicable date (or the highest "Prime Rate" if more than one is published) as such rate may change from time to time, provided, however, that in no event shall the Base Rate be less than six percent (6%). If The Wall Street Journal ceases to be published or goes on strike or is otherwise not published, Lender may use a similar published prime or base rate. The Base Rate is not necessarily the lowest or best rate of interest offered by Lender to any borrower or class of borrowers.

Business Day - A day other than Saturday or Sunday when Lender is open for business in New York.

Capitalized Lease Obligations - Any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, consistently applied.

Capital Expenditures - For any period, the aggregate of all expenditures (including that portion of Capitalized Lease Obligations attributable to that period) made in respect of the purchase, construction or other acquisition of fixed or capital assets, determined in accordance with GAAP.

Capital Stock - Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all other ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

Cash Collateral - The money market funds deposited by a Depositor for the benefit of Borrower pursuant to a Pledge Agreement, such Cash Collateral initially being set forth on Schedule "1.1(a)" attached hereto and made part hereof.

Change of Control - With respect to Borrower, the result caused by the occurrence of any event which results in the Original Holders owning (beneficially, legally or otherwise), in the aggregate, less than seventy percent (70%) of any class of the issued and outstanding Capital Stock of Borrower entitled to vote.

Closing - Section 4.6.

Closing Date - Section 4.6.

Collateral – (A) The sum of the Cash Collateral, the Municipal Bonds, the Mutual Funds and the Government Securities on deposit in the Collateral Accounts, plus (B) all other Property including, without limitation, any interests in Property that now or hereafter secure payment of the Obligations and satisfaction by Borrower of all covenants and undertakings contained in this Agreement and the other Loan Documents.

Collateral Accounts – Section 2.4(b).

Collateral Deficit – See Section 2.1(a)(i).

Default - Any event, act, condition or occurrence which with notice, or lapse of time or both, would constitute an Event of Default hereunder.

Depositor – Dofra Corp., Chalen Corp., Charles Hirsch, and any other Person who may hereafter deposit Collateral in support of Borrower's Obligations.

Disqualified Stock - Any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable for any reason, (ii) is convertible or exchangeable for Indebtedness or Capital Stock that meets the requirements of clauses (i) and (ii), or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the Revolving Credit Maturity Date.

Distribution -

- a. Cash dividends or other cash distributions (including Permitted Tax Distributions) on any now or hereafter outstanding Capital Stock of Borrower;
- b. The redemption, repurchase, defeasance or acquisition of such Capital Stock or of warrants, rights or other options to purchase such Capital Stock; and
- c. Any loans or advances (other than salaries), to any shareholder(s), partner(s) or member(s) of Borrower.

Environmental Laws - Any and all Federal, foreign, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees and any and all common law requirements, rules and bases of liability regulating, relating to or imposing liability or standards of conduct concerning pollution, protection of the environment, or the impact of pollutants, contaminants or toxic or hazardous substances on human health or the environment, as now or may at any time hereafter be in effect.

ERISA - The Employee Retirement Income Security Act of 1974, as the same may be amended, from time to time.

Event of Default - Section 8.1.

Expenses - Section 9.6.

GAAP - Generally accepted accounting principles as in effect on the Closing Date applied in a manner consistent with the most recent audited financial statements of Borrower furnished to Lender and described in Section 5.7 herein.

Government Securities - Obligations issued or guaranteed by the United States of America or any agency thereof, and pledged to Lender by a Depositor for the benefit of Borrower pursuant to a Pledge Agreement, such Government Securities initially being set forth on Schedule "1.1(a)" attached hereto and made part hereof.

Governmental Acts - Section 2.2(f).

Governmental Authority - Any federal, state or local government or political subdivision, or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury, or arbitration.

Hazardous Substances - Any substances defined or designated as hazardous or toxic waste, hazardous or toxic material, hazardous or toxic substance or similar term, under any Environmental Law.

Hedging Agreements - Any Interest Hedging Instrument or any other interest rate protection agreement, foreign currency exchange agreement, commodity purchase or option agreement, or any other interest rate hedging device or swap agreement (as defined in 11 U.S.C. § 101 et. seq.).

Indebtedness - Of any Person at any date, without duplication, (i) all indebtedness of such Person for borrowed money (including with respect to Borrower, the Obligations) or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (ii) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (iii) all Capitalized Lease Obligations of such Person, (iv) the face amount of all letters of credit issued for the account of such Person and all drafts drawn thereunder, (v) all obligations of other Persons which such Person has guaranteed, (vi) Disqualified Stock, (vii) all Obligations of such Person under Hedging Agreements, and (viii) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

Interest Hedging Instrument - Any documentation evidencing any interest rate swap, interest "cap" or "collar" or any other interest rate hedging device or swap agreement (as defined in 11 U.S.C. § 101 et. seq.) between Borrower and Lender (or any Affiliate of Lender).

Inventory - All of the "inventory" (as that term is defined in the UCC) of Borrower, whether now existing or hereafter acquired or created.

IRS - Internal Revenue Service.

L/C Commitment - The difference between the Maximum Revolving Credit Amount

and the Loans.

L/C Fees - Section 2.7(b).

Letters of Credit - (i) Standby letters of credit, and (ii) Commercial letter or letters of credit, in each case issued to or to be issued by Lender for the account of Borrower pursuant to Section 2.2 herein. Drafts under Commercial letters of credit may be payable at sight and/or payable thirty (30) days after sight.

Letter of Credit Amount - The sum of (i) the aggregate undrawn amount of all Letters of Credit outstanding at any time plus (ii) the aggregate amount of all drawings under Letters of Credit for which Lender has not been reimbursed at such time.

Letter of Credit Documents - Any Letter of Credit, any amendment thereto, any documents delivered in connection therewith, any application therefor, or any other documents (all in form and substance satisfactory to Lender), governing or providing for (i) the rights and obligations on the parties concerned or at risk, or (ii) any collateral security for such obligations.

Leverage Ratio - At any time, the ratio of Borrower's (i) Total Debt less Subordinated Debt, to (ii) Tangible Net Worth.

LIBOR Applicable Margin - Two hundred (200) basis points.

LIBOR Based Rate - The LIBOR Rate plus the LIBOR Applicable Margin.

LIBOR Interest Period - A period of one month duration during which the LIBOR Based Rate is applicable.

LIBOR Rate - The London Interbank Offered Rate (LIBOR) for a thirty (30), sixty (60) or ninety (90) day period, as elected by Borrower and as published in the "Money Rates" Section of The Wall Street Journal on the applicable date as such rate may change from time to time. If The Wall Street Journal ceases to be published or goes on strike or is otherwise not published, Lender may use a similar published one-month LIBOR Rate.

Lien - Any interest of any kind or nature in property securing an obligation owed to, or a claim of any kind or nature in property by, a Person other than the owner of the Property, whether such interest is based on the common law, statute, regulation or contract, and including, but not limited to, a security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt, a lease, consignment or bailment for security purposes, a trust, or an assignment. For the purposes of this Agreement, Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Loans - The unpaid balance of Advances and Letters of Credit under the Revolving Credit.

Loan Documents - Collectively, this Agreement, the Note(s), the Surety Agreements, the Security and Control Agreements, the Pledge Agreements, the Bank of New York Letter Agreement,

of the Letter of Credit Documents, the Perfection Certificate, and all agreements, instruments and documents executed and/or delivered in connection therewith, all as may be supplemented, restated, superseded, amended or replaced from time to time.

Material Adverse Effect - A material adverse effect with respect to (a) the business, assets, properties, financial condition, stockholders' equity, contingent liabilities, prospects, material agreements or results of operations of Borrower, or (b) Borrower's ability to pay the Obligations in accordance with the terms hereof, or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of Lender hereunder or thereunder.

Maximum Revolving Credit Amount - The sum of One Million One Hundred Thousand Dollars (\$1,100,000.00).

Minimum Collateral Amount - The sum of Eight Hundred Eighty Thousand Dollars (\$880,000.00), as calculated by giving effect to the Advance Rates.

Municipal Bonds - The municipal bonds pledged to Lender by a Depositor for the benefit of Borrower pursuant to a Pledge Agreement, all of which are rated BAA or better and are acceptable to Lender, such Municipal Bonds initially being set forth on Schedule "1.1(a)" attached hereto and made part hereof.

Mutual Funds - The mutual funds pledged to Lender by a Depositor for the benefit of Borrower pursuant to a Pledge Agreement, such Mutual Funds being acceptable to Lender and initially set forth on Schedule "1.1(a)" attached hereto and made part hereof.

Net Income - For any period, net income after taxes of Borrower as such would appear on Borrower's statement of income, prepared in accordance with GAAP.

Note(s) - The Revolving Credit Note.

Obligations - All existing and future debts, liabilities and obligations of every kind or nature at any time owing by Borrower to Lender, whether under this Agreement, or any other existing or future instrument, document or agreement, between Borrower or Lender, whether joint or several, related or unrelated, primary or secondary, matured or contingent, due or to become due (including debts, liabilities and obligations obtained by assignment), and whether principal, interest, fees, indemnification obligations hereunder or Expenses (specifically including interest accruing after the commencement of any bankruptcy, insolvency or similar proceeding with respect to Borrower, whether or not a claim for such post-commencement interest is allowed), including, without limitation, debts, liabilities and obligations in respect of the Revolving Credit, Reimbursement Obligations and any extensions, modifications, substitutions, increases and renewals thereof; any amount payable by Borrower or any Subsidiary of Borrower pursuant to an Interest Hedging Instrument; the payment of all amounts advanced by Lender to preserve, protect and enforce rights hereunder and in the Collateral; and all Expenses incurred by Lender. Without limiting the generality of the foregoing, Obligations shall include any other debts, liabilities or obligations owing to Lender in connection with any Lock Box, cash management, or other services (including electronic funds transfers or automated clearing house transactions) provided by Lender to Borrower, as well as any other loan, advances or extension of credit, under any existing or future loan agreement, promissory note, or other instrument, document or agreement between Borrower and Lender.

Original Holder – Each of Charles Hirsch and David Hirsch.

PBGC - The Pension Benefit Guaranty Corporation.

Perfection Certificate - The Perfection Certificate provided by Borrower to Lender on or prior to the Closing Date in form and substance satisfactory to Lender.

Permitted Indebtedness – (a) Indebtedness to Lender in connection with the Revolving Credit, and Letters of Credit or otherwise pursuant to the Loan Documents; (b) trade payables incurred in the ordinary course of Borrower's business; (c) Purchase Money Indebtedness; (d) Indebtedness that is permitted under Section 7.4(a)(A), (B), or (C); (e) Indebtedness existing on the Closing Date that is identified and described on Schedule "1.1(b)" attached hereto and made part hereof, and (e) Subordinated Debt.

Permitted Investments - (a) investments and advances existing on the Closing Date that are disclosed on Schedule "5.10(a)", or (b) (i) obligations issued or guaranteed by the United States of America or any agency thereof, (ii) commercial paper with maturities of not more than 180 days and a published rating of not less than A-1 or P-1 (or the equivalent rating) by a nationally recognized investment rating agency, (iii) certificates of time deposit and bankers' acceptances having maturities of not more than 180 days and repurchase agreements backed by United States government securities of a commercial bank if (A) such bank has a combined capital and surplus of at least \$500,000,000, or (B) its debt obligations, or those of a holding company of which it is a Subsidiary, are rated not less than A (or the equivalent rating) by a nationally recognized investment rating agency, and (iv) U.S. money market funds that invest solely in obligations issued or guaranteed by the United States of America or an agency thereof.

Permitted Liens - (a) Liens securing taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, and other like persons not yet due; (b) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, social security and other like laws; (c) Liens on fixed assets security purchase money Indebtedness permitted under Section 7.6; provided that, (i) such Lien attached to such assets concurrently, or within 20 days of the acquisition thereof, and only to the assets so acquired, and (ii) a description of the asset acquired is furnished to Lender; and (d) Liens existing on the Closing Date and shown on Schedule "1.1(c)" attached hereto and made part hereof.

Person - An individual, partnership, corporation, trust, limited liability company, limited liability partnership, unincorporated association or organization, joint venture or any other entity.

Pledge Agreement - That certain Pledge Agreement to be executed by each Depositor in favor of Lender in form and substance satisfactory to Lender, on or prior to the Closing Date.

Property - Any interest of Borrower in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Purchase Money Indebtedness –Indebtedness (including Capitalized Lease Obligations) hereafter incurred by Borrower to finance the purchase of fixed assets; provided that, (i) such Indebtedness incurred in any fiscal year shall not exceed the amount of Indebtedness reasonably



incurred by Borrower in its normal course of business, and in no event shall exceed \$250,000.00; (ii) such Indebtedness shall not exceed the purchase price of the assets funded; and (iii) no such Indebtedness may be refinanced for a principal amount in excess of the principal amount outstanding at the time of such refinancing.

Regulation D - Regulation D of the Board of Governors of the Federal Reserve System comprising Part 204 of Title 12, Code of Federal Regulations, as amended, and any successor thereto.

Reimbursement Obligations - Section 2.2(c).

Revolving Credit - Section 2.1(a).

Revolving Credit Closing Fee - Section 2.7(a).

Revolving Credit Maturity Date - August 23, 2008, or such later date as Lender may, in its sole and absolute discretion, designate in writing to Borrower.

Revolving Credit Note - Section 2.1(b).

Security and Control Agreement - That certain Security and Control Agreement to be executed by Commerce Capital Markets, Inc., Lender and each Depositor, in form and substance satisfactory to Lender, on or prior to the Closing Date.

Semi-Annual Compliance Certificate - Section 6.10.

Subordinated Debt - Indebtedness of Borrower subject to payment terms and subordination provisions acceptable to Lender in its sole discretion including without limitation, the Permitted Indebtedness that is identified and described on Schedule "1.1(b)" attached hereto and made part hereof.

Subsidiary - With respect to any Person at any time, (i) any corporation more than fifty percent (50%) of whose voting stock is legally and beneficially owned by such Person or owned by a corporation more than fifty percent (50%) of whose voting stock is legally and beneficially owned by such Person; (ii) any trust of which a majority of the beneficial interest is at such time owned directly or indirectly, beneficially or of record, by such Person or one or more Subsidiaries of such Person; and (iii) any partnership, joint venture, limited liability company or other entity of which ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at such time owned directly or indirectly, beneficially or of record, by, or which is otherwise controlled directly, indirectly or through one or more intermediaries by, such Person or one or more Subsidiaries of such Person.

Surety - Charles Hirsch, David Hirsch, and any other Person who may hereafter guaranty, as surety, all of the Obligations.

Surety Agreement - That certain surety agreement to be executed by each Surety in favor of Lender, in form and substance satisfactory to Lender, on or prior to the Closing Date.

Tangible Net Worth - At any time, the amount by which all of Borrower's consolidated

assets (less (i) trademarks, copyrights, goodwill, covenants not to compete, and all other assets which would be classified as intangible assets under GAAP; and (ii) assets owing from Affiliates, officers, directors, shareholders and employees) plus Subordinated Debt, exceed all of Borrower's Total Debt.

Total Debt – All of Borrower's consolidated liabilities, all as would be shown on Borrower's consolidated balance sheet prepared in accordance with GAAP.

UCC - The Uniform Commercial Code as adopted in the state where Lender's office identified in Section 9.8 is located, as the same may be amended from time to time.

Other Capitalized Terms - Any other capitalized terms used without further definition herein shall have the respective meaning set forth in the UCC.

1.2. Accounting Principles: Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, this shall be done in accordance with GAAP, consistently applied, to the extent applicable, except as otherwise expressly provided in this Agreement.

1.3. Construction: No doctrine of construction of ambiguities in agreements or instruments against the interests of the party controlling the drafting shall apply to any Loan Documents.

## SECTION II. THE LOANS

### 2.1. Revolving Credit - Description:

a. i. Subject to the terms and conditions of this Agreement, Lender hereby establishes for the benefit of Borrower a revolving credit facility (collectively, the "Revolving Credit") which shall include cash Advances extended by Lender to or for the benefit of Borrower as well as Letters of Credit issued for the account of Borrower from time to time hereunder. The aggregate principal amount of unpaid cash Advances, plus the Letter of Credit Amounts, shall not at any time exceed the Maximum Revolving Credit Amount. The outstanding balance of Advances under the Revolving Credit may fluctuate from time to time, to be reduced by repayments made by Borrower, to be increased by future Advances which may be made by Lender, to or for the benefit of Borrower, and, subject to the provisions of Section 8 below, shall be due and payable on the Revolving Credit Maturity Date. At all times, Borrower, or Depositors for the benefit of Borrower, shall maintain Collateral on deposit in the Collateral Accounts in an aggregate amount equal to at least the Minimum Collateral Amount. If at any time Borrower, or Depositors for the benefit of Borrower, shall fail to maintain the Minimum Collateral Amount on deposit in the Collateral Accounts (such deficiency referred to as a "Collateral Deficit"), such Collateral Deficit shall constitute an Event of Default, and Borrower or Depositors, as the case may be, shall immediately deposit additional Collateral in the Collateral Accounts in an amount equal to such Collateral Deficit, such remedy to be in addition to all of the other rights, options and remedies granted or available to Lender under this Agreement, the other Loan Documents, or otherwise available to Lender at law or in equity.

ii. Lender may, upon the occurrence and during the continuance of an Event of Default, be entitled to reduce or increase the Advance Rates and standards of eligibility under this Agreement.

a. At Closing, Borrower shall execute and deliver a promissory note to Lender for the Maximum Revolving Credit Amount ("Revolving Credit Note"). The Revolving Credit Note shall evidence Borrower's unconditional obligation to repay Lender for all Advances made under the Revolving Credit, with interest as herein provided. Each Advance under the Revolving Credit shall be deemed evidenced by the Revolving Credit Note, which is deemed incorporated herein by reference and made part hereof. The Revolving Credit Note shall be in form and substance satisfactory to Lender.

b. The term of the Revolving Credit shall expire on the Revolving Credit Maturity Date. On such date, unless having been sooner accelerated by Lender pursuant to the terms hereof, and without impairing any rights under Section 3.1, all sums owing under the Revolving Credit shall be due and payable in full, and as of and after such date Borrower shall not request and Lender shall not make any further Advances under the Revolving Credit.

## 2.2. Letters of Credit:

a. As a part of the Revolving Credit and subject to its terms and conditions (including, without limitation, the Borrowing Base), Lender shall make available to Borrower Letters of Credit which shall not exceed, in the aggregate at any one time outstanding, the L/C Commitment. Notwithstanding the foregoing, all Letters of Credit shall be in form and substance reasonably satisfactory to Lender. No Letter of Credit shall be issued with an expiry date later than (i) three hundred sixty five (365) days from the date of issuance for a stand-by letter of credit, or one hundred eighty (180) days from the date of issuance for Commercial letter of credit, or (ii) ten (10) Business Days prior to the Revolving Credit Maturity Date. Borrower shall execute and deliver to Issuer all Letter of Credit Documents required by Lender for such purposes. Each Letter of Credit shall comply with the Letter of Credit Documents.

b. Each Letter of Credit issued from time to time under the Revolving Credit which remains undrawn (and the amounts of draws on Letters of Credit prior to payment as hereinafter set forth) shall reduce, dollar for dollar, the amount available to be borrowed by Borrower under the Revolving Credit.

c. In the event of any request for drawing under any Letter of Credit by the beneficiary thereof, Lender shall promptly notify Borrower and Borrower shall immediately reimburse Lender on the day when such drawing is honored, by either a cash payment by Borrower or, so long as no Event of Default has occurred and is continuing, in the absence of such payment by Borrower, and at Lender's option, by Lender automatically making or having been deemed to have made (without further request or approval of Borrower) a cash Advance under the Revolving Credit on such date to reimburse Lender. Borrower's reimbursement obligation for draws under Letters of Credit along with the obligation to pay L/C Fees shall herein be referred to collectively as Borrower's "Reimbursement Obligations." All of Borrower's Reimbursement Obligations hereunder with respect to Letters of Credit shall apply unconditionally and absolutely to Letters of Credit issued hereunder on behalf of Borrower.

d. The obligation of Borrower to reimburse Lender for drawings made (or for cash Advances made to cover drawings made) under the Letters of Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances including, without limitation, the following circumstances:

- i. any lack of validity or enforceability of any Letter of Credit;

ii. the existence of any claim, setoff, defense or other right that Borrower or any other Person may have at any time against a beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or transferee may be acting), Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction;

iii. any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

iv. payment by Lender under any Letter of Credit against presentation of a demand, draft or certificate or other document that does not comply with the terms of such Letter of Credit unless Lender shall have acted with willful misconduct or gross negligence in issuing such payment;

v. any other circumstances or happening whatsoever that is similar to any of the foregoing; or

vi. the fact that a Default or Event of Default shall have occurred and be continuing.

e. If by reason of (i) any change after the Closing Date in applicable law, regulation, rule, decree or regulatory requirement or any change in the interpretation or application by any judicial or regulatory authority of any law, regulation, rule, decree or regulatory requirement or (ii) compliance by Lender with any direction, reasonable request or requirement (whether or not having the force of law) of any governmental or monetary authority including, without limitation, Regulation D:

i. Lender shall be subject to any tax or other levy or charge of any nature or to any variation thereof (except for changes in the rate of any tax on the net income of Lender or its applicable lending office) or to any penalty with respect to the maintenance or fulfillment of its obligations under this Section 2.2, whether directly or by such being imposed on or suffered by Lender;

ii. any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of any Letter of Credit issued by Lender; or

iii. there shall be imposed on Lender any other condition regarding this Section 2.2 or any Letter of Credit; and the result of the foregoing is to directly or indirectly increase the cost to Lender of issuing, creating, making or maintaining any Letter of Credit or to reduce the amount receivable in respect thereof by Lender, then and in any such case, Lender shall, after the additional cost is incurred or the amount received is reduced, notify Borrower and Borrower shall pay on demand such amounts as may be necessary to compensate Lender for such additional cost or reduced receipt, together with interest on such amount from the date demanded until payment in full thereof at a rate per annum equal at all times to the applicable interest rate under the Revolving Credit. A certificate signed by an officer of Lender as to the amount of such increased cost or reduced receipt showing in reasonable detail the basis for the calculation thereof, submitted to Borrower by Lender shall, except for manifest error and absent written notice from Borrower to Lender within fifteen (15) days from submission, be final, conclusive and binding for all purposes.

f. (i) In addition to amounts payable as elsewhere provided in this Section 2.2, without duplication, Borrower hereby agrees to protect, indemnify, pay and save Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) which Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of the Letters of Credit or (b) the failure of Lender to honor a drawing under any Letter of Credit as a result of any such act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions herein called "Government Acts") in each case except for claims, demands, liabilities, damages, losses, costs, charges and expenses arising solely from acts or conduct of Lender constituting gross negligence or willful misconduct.

(ii) As between Borrower and Lender, Borrower assumes all risks of the acts and omissions of or misuse of the Letters of Credit issued by Lender by the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, Lender shall not be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effects of any document submitted by any party in connection with the application for and issuance of such Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) for failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (D) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they are in cipher, unless any of the foregoing are caused by Lender's gross negligence or willful misconduct; (E) for errors in interpretation of technical terms; (F) for any loss or delay in the transmission of any document or required in order to make a drawing under such Letter of Credit or of the proceeds thereof, unless caused by Lender's gross negligence or willful misconduct; (G) for the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; and (H) for any consequences arising from causes beyond the control of Issuer, including, without limitation, any Government Acts. None of the above shall affect, impair or prevent the vesting of any of Lender's rights or powers hereunder

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by Lender in connection with the Letters of Credit issued by it or the related certificates, if taken or omitted in good faith, shall not create any liability on the part of Lender to Borrower.

2.3. Intentionally deleted.

2.4. Advances and Payments; Collateral Accounts:

a. Except to the extent otherwise set forth in this Agreement (or in the case of an Interest Hedging Instrument under the applicable agreements), all payments of principal and of interest on the Revolving Credit, Reimbursement Obligations, and all Expenses, fees, indemnification obligations and all other charges and any other Obligations of Borrower, shall be made to Lender at its main banking office, 1701 Route 70 East, Cherry Hill, New Jersey, in United States dollars, in immediately available funds. Lender shall have the unconditional right and discretion (and Borrower

hereby authorizes Lender) to charge Borrower's operating and/or deposit account(s) for all of Borrower's Obligations as they become due from time to time under this Agreement including, without limitation, interest, principal, fees, indemnification obligations and reimbursement of Expenses. Alternatively, Lender may in its discretion (and Borrower hereby authorizes Lender to) make a cash Advance under the Revolving Credit in a sum sufficient to pay all interest accrued and payable on the Obligations and to pay all costs, fees and Expenses owing hereunder. Any payments received prior to 2:00 p.m. Eastern time on any Business Day shall be deemed received on such Business Day. Any payments (including any payment in full of the Obligations), received after 2:00 p.m. Eastern time on any Business Day shall be deemed received on the immediately following Business Day.

b. Borrower shall establish and maintain cash and securities accounts ("Collateral Accounts") with Commerce Capital Markets, Inc., subject to the provisions of this subparagraph. Borrower, or Depositors for the benefit of Borrower, shall deposit, in the aggregate, at least the Minimum Collateral Amount into the Collateral Accounts in accordance with the terms and conditions of the Bank of New York Letter Agreement, and shall maintain such amount on deposit at all times until the Revolving Credit Maturity Date. All Collateral on deposit in the Collateral Accounts shall immediately become the property of Lender pursuant to the terms and conditions of the related Security and Control Agreements. Except as set forth herein, Borrower shall have no right of access to or withdrawal from the Collateral Accounts, as more fully set forth in the Security and Control Agreements. Notwithstanding the foregoing, Borrower may (i) deposit additional Collateral into the Collateral Accounts, and (ii) exchange the Collateral on deposit in the Collateral Accounts for other Collateral (A) of quality and kind acceptable to Lender, and (B) of equal or greater value than the Collateral on deposit which is the subject of the exchange.

c. i. Cash Advances which may be made by Lender from time to time under the Revolving Credit shall be made available by crediting such proceeds to Borrower's operating account with Lender.

ii. All cash Advances under the Revolving Credit must be requested by 11:00 A.M., Eastern time, on the date such cash Advance is to be made.

iii. All requests for an Advance are to be in writing pursuant to a written request satisfactory to Lender, which request is to be executed by an Authorized Officer. Such request may be sent by telecopy or facsimile transmission provided that Lender shall have the right to require that receipt of such request not be effective unless confirmed via telephone with Lender.

iv. Upon receiving a request for an Advance in accordance with subparagraph (ii) above, and subject to the conditions set forth in this Agreement, Lender shall make the requested Advance available to Borrower as soon as is reasonably practicable thereafter on the day the requested Advance is to be made.

2.5. **Interest:** The unpaid principal balance of cash Advances under the Revolving Credit shall bear interest, subject to the terms hereof, at the per annum rate equal to the Base Rate, or the LIBOR Based Rate, at the option of Borrower. Changes in the interest rate applicable to the Revolving Credit shall become effective on the same day that there is a change in the Base Rate or the LIBOR Rate, as applicable. Interest on the Revolving Credit shall be payable monthly, in arrears, on the first day of each calendar month, beginning on the first day of the first full calendar month after the Closing Date.

2.6. Additional Interest Provisions:

a. Interest on the Loans shall be calculated shall be calculated on the basis of a year of three hundred sixty (360) days but charged for the actual number of days elapsed.

b. After the occurrence and during the continuance of an Event of Default hereunder, the per annum effective rate of interest on all outstanding principal under the Loans, shall be increased by three hundred (300) basis points. All such increases may be applied retroactively to the date of the occurrence of the Event of Default. Borrower agrees that the default rate payable to Lender is a reasonable estimate of Lender's damages and is not a penalty.

c. All contractual rates of interest chargeable on outstanding principal under the Loans shall continue to accrue and be paid even after Default, an Event of Default, maturity, acceleration, judgment, bankruptcy, insolvency proceedings of any kind or the happening of any event or occurrence similar or dissimilar.

d. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder and charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such court determines Lender has charged or received interest hereunder in excess of the highest applicable rate, Lender shall apply, in its sole discretion, and set off such excess interest received by Lender against other Obligations due or to become due and such rate shall automatically be reduced to the maximum rate permitted by such law.

2.7. Fees and Charges:

a. At Closing, Lender shall have fully earned and Borrower shall unconditionally pay to Lender, a non-refundable fee with respect to the Revolving Credit ("Revolving Credit Closing Fee") of Five Thousand Five Hundred Dollars (\$5,500.00), less amounts previously paid thereon, including without limitation, the Two Thousand Seven Hundred and Fifty Dollars (\$2,750.00) that was due and payable upon approval of this Revolving Credit.

b. Borrower shall pay to Lender a fee in the amount of two percent (2%) per annum of the face amount of each Standby Letter of Credit issued by Lender. Borrower shall pay to Lender a fee in the amount of one half of one percent (0.50%) per annum of the face amount of each Commercial Letter of Credit issued by Lender. Each such fee shall be payable quarterly in arrears on the first day of each calendar quarter and at the expiration or termination of the Letter of Credit. In addition, Borrower shall pay to Lender, upon billing therefor, all of Lender's standard commissions for the issuance of banker's acceptances and standard charges for issuance, amendment, extension and cancellation of the Letter of Credit. All such fees and charges are referred to herein collectively as the "L/C Fees."

c. Borrower shall unconditionally pay to Lender a late charge equal to five percent (5%) of any and all payments of principal or interest on the Loans that are not paid within fifteen (15) days of the due date. Such late charge shall be due and payable regardless of whether Lender has accelerated the Obligations. Borrower agrees that any late fee payable to Lender is a reasonable estimate of Lender's damages and is not a penalty.

2.8. Prepayments:

a. Borrower may prepay the Revolving Credit in whole or in part at any time or from time to time, without penalty or premium. Any prepayment shall be accompanied by all accrued and unpaid interest.

2.9. Use of Proceeds: The extensions of credit under and proceeds of the Revolving Credit shall be used to refinance existing Indebtedness, for working capital and general corporate purposes, and to provide Letters of Credit for the Borrower.

2.10. Capital Adequacy: If any present or future law, governmental rule, regulation, policy, guideline, directive or similar requirement (whether or not having the force of law) imposes, modifies, or deems applicable any capital adequacy, capital maintenance or similar requirement which affects the manner in which Lender allocates capital resources to its commitments (including any commitments hereunder), and as a result thereof, in the opinion of Lender, the rate of return on Lender's capital with regard to the Loans is reduced to a level below that which Lender could have achieved but for such circumstances, then in such case and upon notice from Lender to Borrower, from time to time, Borrower shall pay Lender such additional amount or amounts as shall compensate Lender for such reduction in Lender's rate of return. Such notice shall contain the statement of Lender with regard to any such amount or amounts which shall, in the absence of manifest error, be binding upon Borrower. In determining such amount, Lender may use any reasonable method of averaging and attribution that it deems applicable.

### SECTION III. COLLATERAL

3.1. Collateral: As security for the payment of the Obligations, and satisfaction by Borrower of all covenants and undertakings contained in this Agreement and the other Loan Documents:

a. Personal Property: Borrower hereby assigns and grants to Lender, a continuing Lien on and security interest in, upon and to all assets of Borrower, including but not limited to the following Property, all whether now owned or hereafter acquired, created or arising and wherever located:

- i. Accounts - All Accounts;
- ii. Chattel Paper - All Chattel Paper;
- iii. Documents - All Documents;
- iv. Instruments - All Instruments;
- v. Inventory - All Inventory;
- vi. General Intangibles - All General Intangibles;
- vii. Equipment - All Equipment,



viii. Fixtures - All Fixtures;

ix. Deposit Accounts - All Deposit Accounts;

x. Goods - All Goods;

xi. Letter of Credit Rights – All Letter of Credit Rights;

xii. Supporting Obligations – All Supporting Obligations;

xiii. Investment Property - All Investment Property;

xiv. Trademarks – All Trademarks;

xv. Commercial Tort Claims – All Commercial Tort Claims identified and described on Schedule "5.20" (as amended or supplemented from time to time);

xvi. Property in Lender's Possession - All Property of Borrower, now or hereafter in Lender's possession; and

xvii. Proceeds - The Proceeds (including, without limitation, insurance proceeds), whether cash or non-cash, of all of the foregoing property described in clauses (i) through (viii), and the Proceeds of Proceeds.

3.2. Lien Documents: At Closing and thereafter as Lender deems necessary, Borrower shall execute and/or deliver to Lender, or have executed and delivered (all in form and substance satisfactory to Lender and its counsel):

a. Financing statements pursuant to the UCC, which Lender may file in the jurisdiction where Borrower is organized and in any other jurisdiction that Lender deems appropriate;

b. Any other agreements, documents, instruments and writings, including, without limitation, intellectual property security agreements, required by Lender to evidence, perfect or protect the Liens and security interests in the Collateral or as Lender may reasonably request from time to time.

3.3. Other Actions:

a. In addition to the foregoing, Borrower shall do anything further that may be reasonably required by Lender to secure Lender and effectuate the intentions and objects of this Agreement, including, without limitation, the execution and delivery of security agreements, contracts and any other documents required hereunder. At Lender's reasonable request, Borrower shall also immediately deliver (with execution by Borrower of all necessary documents or forms to reflect, implement or enforce the Liens described herein), or cause to be delivered to Lender all items for which Lender must receive possession to obtain a perfected security interest, including without limitation, all notes, stock powers, letters of credit, certificates and documents of title, Chattel Paper, Warehouse Receipts, Instruments, and any other similar instruments constituting Collateral.

b. Lender is hereby authorized to file financing statements and amendments to

financing statements without Borrower's signature, in accordance with the UCC. Borrower hereby authorizes Lender to file all such financing statements and amendments to financing statements describing the Collateral in any filing office as Lender, in its sole discretion may determine, including financing statements listing "All Assets" in the collateral description therein. Borrower agrees to comply with the requests of Lender in order for Lender to have and maintain a valid and perfected first security interest in the Collateral including, without limitation, executing and causing any other Person to execute such documents as Lender may require to obtain Control (as defined in the UCC) over all Deposit Accounts, Letter of Credit Rights and Investment Property.

3.4. Searches, Certificates:

a. Lender shall, prior to or at Closing, and thereafter as Lender may determine from time to time, at Borrower's expense, obtain the following searches (the results of which are to be consistent with the warranties made by Borrower in this Agreement):

i. UCC searches with the Secretary of State and local filing office of each state where Borrower or any Depositor is organized, maintains its executive office, a place of business, or assets; and

ii. Judgment, state and federal tax lien and corporate tax lien searches, in all applicable filing offices of each state searched under subparagraph (i) above.

b. Borrower shall, prior to or at Closing and at its expense, obtain and deliver to Lender good standing certificates showing Borrower to be in good standing in its state of organization and in each other state in which it is doing and presently intends to do business for which qualification is required.

3.5. Landlord's and Warehouseman's Waivers: Borrower will cause each owner of any premises occupied by Borrower or to be occupied by Borrower and each warehouseman of any warehouse, where, in either event Collateral is held, to execute and deliver to Lender an instrument, in form and substance satisfactory to Lender, under which such owner(s) or warehouseman subordinates its/his/their interests in and waives its/his/their right to distraint on or foreclose against the Collateral and agrees to allow Lender to remain on such premises to dispose of or deal with any Collateral located thereon.

3.6. Filing Security Agreement: A carbon, photographic or other reproduction or other copy of this Agreement or of a financing statement is sufficient as and may be filed in lieu of a financing statement.

3.7. Power of Attorney: Each of the officers of Lender is hereby irrevocably made, constituted and appointed the true and lawful attorney for Borrower (without requiring any of them to act as such) with full power of substitution to do the following: (a) upon the occurrence and during the continuance of an Event of Default, endorse the name of Borrower upon any and all checks, drafts, money orders and other instruments for the payment of monies that are payable to Borrower and constitute collections on Borrower's Accounts or proceeds of other Collateral; (b) execute and/or file in the name of Borrower any financing statements, schedules, assignments, instruments, documents and statements that Borrower is obligated to give Lender hereunder or is necessary to perfect (or continue or evidence the perfection of such security interest or Lien) Lender's security interest or Lien in the

Collateral; and (c) during the continuance of an Event of Default, do such other and further acts and deeds in the name of Borrower that Lender may reasonably deem necessary or desirable to enforce any Account or other Collateral.

#### SECTION IV. CLOSING AND CONDITIONS PRECEDENT TO ADVANCES

Closing under this Agreement is subject to the following conditions precedent (all instruments, documents and agreements to be in form and substance satisfactory to Lender and Lender's counsel):

4.1. Resolutions, and Other Documents: Borrower shall have delivered, or caused to be delivered to Lender the following:

a. this Agreement, the Notes, the Security and Control Agreements, the Pledge Agreements, and each of the other Loan Documents all properly executed;

b. financing statements and each of the other documents to be executed and/or delivered by Borrower or any other Person pursuant to this Agreement;

c. certified copies of (i) resolutions of Borrower's and Depositors' board of directors or managing members (as applicable) authorizing the execution, delivery and performance of this Agreement, the Notes to be issued hereunder, the Security and Control Agreements, the Pledge Agreements, and each of the other Loan Documents required to be delivered by any Section hereof and (ii) Borrower's and Depositors' articles or certificate of incorporation and by-laws or certificate of formation and operating agreement, as applicable;

d. an incumbency certificate for Borrower and Depositors identifying all Authorized Officers, with specimen signatures;

e. a collateral audit of Borrower's assets, liabilities, books and records, satisfactory in all respects to Lender;

f. such financial statements, reports, certifications and other operational information as Lender may reasonably require, satisfactory in all respects to Lender;

g. certification by the president of Borrower that there has not occurred any material adverse change in the operations and condition (financial or otherwise) of Borrower since December 31, 2005;

h. payment by Borrower of all fees including, without limitation, Revolving Credit Closing Fee, and Expenses associated with the Loans;

i. Searches and certificates required under Section 3.4; and

j. such other documents reasonably required by Lender.

4.2. Absence of Certain Events: At the Closing Date, no Default or Event of Default hereunder shall have occurred and be continuing.

4.3. Warranties and Representations at Closing: The warranties and representations contained in Section 5 as well as any other Section of this Agreement shall be true and correct in all respects on the Closing Date with the same effect as though made on and as of that date. Borrower shall not have taken any action or permitted any condition to exist which would have been prohibited by any Section hereof.

4.4. Compliance with this Agreement: Borrower shall have performed and complied with all agreements, covenants and conditions contained herein including, without limitation, the provisions of Sections 6 and 7 hereof, which are required to be performed or complied with by Borrower before or at the Closing Date.

4.5. Officer's Certificate: Lender shall have received a certificate dated the Closing Date and signed by an executive officer of Borrower certifying that all of the conditions specified in this Section 4 have been fulfilled.

4.6. Closing: Subject to the conditions of this Section, the Loans shall be made available on such date (the "Closing Date") and at such time as may be mutually agreeable to the parties contemporaneously with the execution hereof ("Closing") at Reisman, Peirez & Reisman, L.L.P., 1305 Franklin Avenue, Garden City, New York 11530.

4.7. Waiver of Rights: By completing the Closing hereunder, or by making Advances hereunder, Lender does not thereby waive a breach of any warranty or representation made by Borrower hereunder or under any agreement, document, or instrument delivered to Lender or otherwise referred to herein, and any claims and rights of Lender resulting from any breach or misrepresentation by Borrower are specifically reserved by Lender.

4.8. Conditions for Future Advances: The making of Advances under the Revolving Credit in any form following the Closing Date is subject to the following conditions precedent (all instruments, documents and agreements to be in form and substance satisfactory to Lender and its counsel) following the Closing Date:

a. This Agreement, the Security and Control Agreements, the Pledge Agreements, the Surety Agreements, the Bank of New York Letter Agreement, and each of the other Loan Documents shall be effective;

b. No event or condition shall have occurred or become known to Borrower, or would result from the making of any requested Advance, which could have a Material Adverse Effect;

c. No Default or Event of Default then exists, or after giving effect to the making of the Advance would exist;

d. Each Advance is within and complies with the terms and conditions of this Agreement including, without limitation, the notice provisions contained in Section 2.4 hereof;

e. No Lien (other than a Permitted Lien) has been imposed on Borrower; and

f. Each representation and warranty set forth in Section 5 and any other Loan Document in effect at such time (as amended or modified from time to time) is then true and correct in

all material respects as if made on and as of such date except to the extent such representations and warranties are made only as of a specific earlier date.

## SECTION V. REPRESENTATIONS AND WARRANTIES

To induce Lender to complete the Closing and make the initial Advances under the Revolving Credit and Loans to Borrower, Borrower warrants and represents to Lender that:

### 5.1. Corporate Organization and Validity:

a. Borrower (i) is a corporation, duly organized and validly existing under the laws of the state of New York, (ii) has the appropriate power and authority to operate its business and to own its Property and (iii) is duly qualified, is validly existing and in good standing and has lawful power and authority to engage in the business it conducts in each state where the nature and extent of its business requires qualification, except where the failure to so qualify does not and could not have a Material Adverse Effect. A list of all states and other jurisdictions where Borrower is qualified to do business is shown on Schedule "5.1" attached hereto and made part hereof.

b. The making and performance of this Agreement and the other Loan Documents will not violate any law, government rule or regulation, court or administrative order or other such order, or the charter, minutes or bylaw provisions of Borrower, or of Borrower's operating agreement or partnership agreement, as applicable, or violate or result in a default (immediately or with the passage of time) under any contract, agreement or instrument to which Borrower is a party, or by which Borrower is bound. Borrower is not in violation of any term of any agreement or instrument to which it is a party or by which it may be bound which violation has or could have a Material Adverse Effect, or of its charter, minutes or bylaw provisions, or of Borrower's operating agreement or partnership agreement, as applicable.

c. Borrower has all requisite power and authority to enter into and perform this Agreement and to incur the obligations herein provided for, and has taken all proper and necessary action to authorize the execution, delivery and performance of this Agreement, and the other Loan Documents as applicable.

d. This Agreement, the Notes to be issued hereunder, and all of the other Loan Documents, when delivered, will be valid and binding upon Borrower, and enforceable in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

e. The making and performance of the Security and Control Agreements, the Pledge Agreements, and any other Loan Documents to which any Depositor is a party will not violate any law, government rule or regulation, court or administrative order or other such order, or the charter, minutes or bylaw provisions of any Depositor, or of any Depositor's operating agreement or partnership agreement, as applicable, or violate or result in a default (immediately or with the passage of time) under any contract, agreement or instrument to which any Depositor is a party, or by which any Depositor is bound. Each Depositor is not in violation of any term of any agreement or instrument to which it is a party or by which it may be bound which violation has or could have a Material Adverse Effect, or of its charter, minutes or bylaw provisions, or of any such Depositor's operating agreement or partnership

agreement, as applicable.

f. Each Depositor has all requisite power and authority to enter into and perform its respective Security and Control Agreement and Pledge Agreement and to incur the obligations herein provided for, and has taken all proper and necessary action to authorize the execution, delivery and performance of such agreements, and the other Loan Documents as applicable.

g. Each Security and Control Agreement, Pledge Agreement and all of the other Loan Documents to which any Depositor is a party, when delivered, will be valid and binding upon such Depositor, and enforceable in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

5.2. Places of Business: The only places of business of Borrower, and the places where Borrower keeps and intends to keep its Property, are at the addresses shown on Schedule "5.2" attached hereto and made part hereof.

5.3. Pending Litigation: There is no litigation and no judgments or judicial or administrative orders or proceedings pending, or to the knowledge of Borrower, threatened, against Borrower or any Surety in any court or before any Governmental Authority except as shown on Schedule "5.3" attached hereto and made part hereof. To the knowledge of Borrower, there are no investigations (civil or criminal) pending or threatened against Borrower or any Surety in any court or before any Governmental Authority. Borrower is not in default with respect to any order of any Governmental Authority. To the knowledge of Borrower, no shareholder or executive officer of Borrower has been indicted in connection with or convicted of engaging in any criminal conduct, or is currently subject to any lawsuit or proceeding or under investigation in connection with any anti-racketeering or other conduct or activity which may result in the forfeiture of any property to any Governmental Authority.

5.4. Title to Properties: Borrower has good and marketable title in fee simple (or its equivalent under applicable law) to all the Property it purports to own, free from Liens and free from the claims of any other Person, except for Permitted Liens.

5.5. Title to Collateral. Each Depositor has full right, title and interest in and to its respective Collateral free and clear of any and all liens and encumbrances, so as to give Lender, to the fullest extent permitted by applicable law, a perfected first-priority security interest in such Collateral.

5.6. Governmental Consent: Neither the nature of Borrower or of its business or Property, nor any relationship between Borrower and any other Person, nor any circumstance affecting Borrower in connection with the issuance or delivery of this Agreement, the Notes or any other Loan Documents is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority on the part of Borrower.

5.7. Taxes: All tax returns required to be filed by Borrower in any jurisdiction have been filed, and all taxes, assessments, fees and other governmental charges upon Borrower, or upon any of its Property, income or franchises, which are shown to be due and payable on such returns have been paid, except for those taxes being contested in good faith with due diligence by appropriate proceedings for which appropriate reserves have been maintained under GAAP and as to which no Lien has been entered. Borrower is not aware of any proposed additional tax assessment or tax to be assessed against

or applicable to Borrower.

5.8. Financial Statements: The annual reviewed consolidated (if applicable) balance sheet of Borrower as of December 31, 2005, and the related statements of profit and loss, stockholder's equity and cash flow as of such date accompanied by reports thereon from Borrower's independent certified public accountants (complete copies of which have been delivered to Lender), have been prepared in accordance with GAAP and present fairly the financial position of Borrower as of such dates and the results of its operations for such periods. The fiscal year for Borrower currently ends on December 31. Borrower's federal tax identification number and state organizational identification number for UCC purposes are as shown on Schedule "5.8" attached hereto and made part hereof.

5.9. Full Disclosure: The financial statements referred to in Section 5.9 of this Agreement do not, nor does any other written statement of Borrower to Lender in connection with the negotiation of the Loans, contain any untrue statement of a material fact. Such statements do not omit a material fact, the omission of which would make the statements contained therein misleading. There is no fact known to Borrower which has not been disclosed in writing to Lender which has or could have a Material Adverse Effect.

5.10. Subsidiaries: Borrower does not have any Subsidiaries or Affiliates, except as shown on Schedule "5.10" attached hereto and made part hereof.

5.11. Investments, Guarantees, Contracts, etc.:

a. Borrower does not own or hold equity or long term debt investments in, or have any outstanding advances to, any other Person, except as shown on Schedule "5.11(a)," attached hereto and made part hereof.

b. Borrower has not entered into any leases for real or personal Property (whether as landlord or tenant or lessor or lessee), except as shown on Schedule "5.11(b)," attached hereto and made part hereof.

c. Borrower is not a party to any contract or agreement, or subject to any charter or other corporate restriction, which has or could have a Material Adverse Effect.

d. Except as otherwise specifically provided in this Agreement, Borrower has not agreed or consented to cause or permit any of its Property whether now owned or hereafter acquired to be subject in the future (upon the happening of a contingency or otherwise), to a Lien not permitted by this Agreement.

5.12. Government Regulations, etc.:

a. The use of the proceeds of and Borrower's issuance of the Notes will not directly or indirectly violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations U, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. Borrower does not own or intend to carry or purchase any "margin stock" within the meaning of said Regulation U.

b. Borrower has obtained all licenses, permits, franchises or other governmental

authorizations necessary for the ownership of its Property and for the conduct of its business, except where the absence of same would not have a Material Adverse Effect.

c. As of the date hereof, no employee benefit plan ("Pension Plan"), as defined in Section 3(2) of ERISA, maintained by Borrower or under which Borrower could have any liability under ERISA (i) has failed to meet the minimum funding standards established in Section 302 of ERISA, (ii) has failed to comply in a material respect with all applicable requirements of ERISA and of the Internal Revenue Code, including all applicable rulings and regulations thereunder, (iii) has engaged in or been involved in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code which would subject Borrower to any material liability, or (iv) has been terminated if such termination would subject Borrower to any material liability. Borrower has not assumed, or received notice of a claim asserted against Borrower for, withdrawal liability (as defined in Section 4207 of ERISA) with respect to any multi employer pension plan and is not a member of any Controlled Group (as defined in ERISA). Borrower has timely made all contributions when due with respect to any multi employer pension plan in which it participates and no event has occurred triggering a claim against Borrower for withdrawal liability with respect to any multi employer pension plan in which Borrower participates. All Employee Benefit Plans and multi employer pension plans in which Borrower participates are shown on Schedule "5.12(c)" attached hereto and made part hereof.

d. Borrower is not in violation of or receipt of written notice that it is in violation of any applicable statute, regulation or ordinance of the United States of America, or of any state, city, town, municipality, county or of any other jurisdiction, or of any agency, or department thereof, (including, without limitation, Environmental Laws or government procurement regulations), a violation of which causes or could cause a Material Adverse Effect.

e. Borrower is current with all reports and documents required to be filed with any state or federal securities commission or similar agency and is in full compliance in all material respects with all applicable rules and regulations of such commissions.

5.13. Business Interruptions: Within five (5) years prior to the date hereof, none of the business, Property or operations of Borrower have been materially and adversely affected in any way by any casualty, strike, lockout, combination of workers, order of the United States of America, or any state or local government, or any political subdivision or agency thereof, directed against Borrower. There are no pending or, to Borrower's knowledge, threatened labor disputes, strikes, lockouts or similar occurrences or grievances affecting Borrower. No labor contract of Borrower is scheduled to expire prior to the Revolving Credit Maturity Date.

5.14. Names and Intellectual Property:

a. Within five (5) years prior to the Closing Date, Borrower has not conducted business under or used any other name (whether corporate or assumed) except for the names shown on Schedule "5.14(a)" attached hereto and made part hereof. Borrower is the sole owner of all names listed on such Schedule "5.14(a)" and any and all business done and all invoices issued in such trade names are Borrower's sales, business and invoices. Each trade name of Borrower represents a division or trading style of Borrower and not a separate Subsidiary or Affiliate or independent entity.

b. All trademarks, service marks, patents or copyrights which Borrower uses, plans to use or has a right to use are shown on Schedule "5.14(b)" attached hereto and made part hereof and



Borrower is the sole owner of such Property except to the extent any other Person has claims or rights in such Property, as such claims and rights are shown on Schedule "5.14(b)". Borrower is not in violation of any rights of any other Person with respect to such Property.

c. Except as shown on Schedule "5.14(c)" attached hereto and made part hereof, (i) Borrower does not require any copyrights, patents, trademarks or other intellectual property, or any license(s) to use any patents, trademarks or other intellectual property in order to provide services to its customers in the ordinary course of business; and (ii) Lender will not require any copyrights, patents, trademarks or other intellectual property or any licenses to use the same in order to provide such services after the occurrence of an Event of Default.

5.15. Other Associations: Borrower is not engaged and has no interest in any joint venture or partnership with any other Person except as shown on Schedule "5.15," attached hereto and made part hereof.

5.16. Environmental Matters: Except as shown on Schedule "5.16," attached hereto and made part hereof:

a. To the best of Borrower's knowledge after due inquiry, no Property presently owned, leased or operated by Borrower contains, or has previously contained, any Hazardous Substances in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) could give rise to liability under, any Environmental Law.

b. To the best of Borrower's knowledge after due inquiry, Borrower is in compliance, and, for the duration of all applicable statutes of limitations periods, has been in compliance with all applicable Environmental Laws, and there is no contamination at, under or about any properties presently owned, leased, or operated by Borrower or violation of any Environmental Law with respect to such properties which could reasonably be expected to interfere with any of their continued operations or reasonably be expected to impair the fair saleable value thereof.

c. Borrower has not received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws and Borrower has no knowledge that any such notice will be received or is being threatened.

d. Hazardous Substances have not been transported or disposed of by Borrower or, to the best of Borrower's knowledge, by any other Person, in a manner or to a location which are reasonably likely to give rise to liability of Borrower under any Environmental Law.

e. No judicial proceeding or governmental or administrative action is pending, or to the knowledge of Borrower, threatened under any Environmental Law to which Borrower is, or to Borrower's knowledge will be, named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding, the implementation of which is reasonably likely to have a Material Adverse Effect on Borrower's business, financial condition, Property or prospects under any Environmental Law.

5.17. Regulation O: No director, executive officer or principal shareholder of Borrower is a director, executive officer or principal shareholder of Lender. For the purposes hereof the terms

"director" "executive officer" and "principal shareholder" (when used with reference to Lender), have the respective meanings assigned thereto in Regulation O issued by the Board of Governors of the Federal Reserve System.

5.18. Capital Stock: The authorized and outstanding Capital Stock of Borrower is as shown on Schedule "5.18" attached hereto and made part hereof. All of the Capital Stock of Borrower has been duly and validly authorized and issued and is fully paid and non-assessable and has been sold and delivered to the holders thereof in compliance with, or under valid exemption from, all Federal and state laws and the rules and regulations of all Governmental Authorities governing the sale and delivery of securities. Except for the rights and obligations shown on Schedule "5.18," there are no subscriptions, warrants, options, calls, commitments, rights or agreements by which Borrower or any of the shareholders of Borrower is bound relating to the issuance, transfer, voting or redemption of shares of its Capital Stock or any pre-emptive rights held by any Person with respect to the shares of Capital Stock of Borrower. Except as shown on Schedule "5.18," Borrower has not issued any securities convertible into or exchangeable for shares of its Capital Stock or any options, warrants or other rights to acquire such shares or securities convertible into or exchangeable for such shares.

5.19. Solvency: After giving effect to the transactions contemplated under this Agreement, Borrower is solvent, is able to pay its debts as they become due, and has capital sufficient to carry on its business and all businesses in which it is about to engage, and now owns Property having a value both at fair valuation and at present fair salable value greater than the amount required to pay Borrower's debts. Borrower will not be rendered insolvent by the execution and delivery of this Agreement or any of the other Loan Documents executed in connection with this Agreement or by the transactions contemplated hereunder or thereunder.

5.20. Perfection and Priority: This Agreement and the other Loan Documents are effective to create in favor of Lender legal, valid and enforceable Liens in all right, title and interest of Borrower in the Collateral, and (i) when financing statements have been filed in the offices of the jurisdictions shown on Schedule "5.20," attached hereto and made part hereof under Borrower's name, or (ii) possession of the Collateral has been taken by Lender in accordance with the applicable provisions of the UCC, Borrower will have granted to Lender, and Lender will have perfected first priority Liens in the Collateral, superior in right to any and all other Liens, existing or future, other than Permitted Liens, or Liens against fixed assets of Borrower financed with Purchase Money Indebtedness.

5.21. Commercial Tort Claims: As of the Closing Date, Borrower is not a party to any Commercial Tort Claims, except as shown on Schedule "5.21" attached hereto and made part hereof.

5.22. Letter of Credit Rights: As of the Closing Date, Borrower has no Letter of Credit Rights, except as shown on Schedule "5.22," attached hereto and made part hereof.

5.23. Deposit Accounts: All Deposit Accounts of Borrower are shown on Schedule "5.23," attached hereto and made part hereof.

## **SECTION VI. BORROWER'S AFFIRMATIVE COVENANTS**

Borrower covenants that until all of the Obligations are paid and satisfied in full and the Revolving Credit has been terminated, that:

6.1. Payment of Taxes and Claims: Borrower shall pay, before they become delinquent, all taxes, assessments and governmental charges, or levies imposed upon it, or upon Borrower's Property, and all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other Persons, entitled to the benefit of statutory or common law Liens which, in any case, if unpaid, would result in the imposition of a Lien upon its Property; provided however, that Borrower shall not be required to pay any such tax, assessment, charge, levy, claim or demand if the amount, applicability or validity thereof, shall at the time, be contested in good faith and by appropriate proceedings by Borrower, and if Borrower shall have set aside on its books adequate reserves in respect thereof, if so required in accordance with GAAP; which deferment of payment is permissible so long as no Lien other than a Permitted Lien has been entered and Borrower's title to, and its right to use, its Property are not materially adversely affected thereby.

6.2. Maintenance of Properties and Corporate Existence:

a. Property - Borrower shall maintain its Property in good condition (normal wear and tear excepted) make all necessary renewals, replacements, additions, betterments and improvements thereto and will pay and discharge when due the cost of repairs and maintenance to its Property, and will pay all rentals when due for all real estate leased by Borrower.

b. Property Insurance, Public and Products Liability Insurance - Borrower shall maintain insurance (i) on all insurable tangible Property against fire, flood, casualty and such other hazards (including, without limitation, extended coverage, workmen's compensation, boiler and machinery, with inflation coverage by endorsement) and (ii) against public liability, product liability and business interruption, in each case in such amounts, with such deductibles and with such insurers as are customarily used by companies operating in the same industry as Borrower. At or prior to Closing, Borrower shall furnish Lender with duplicate original policies of insurance or such other evidence of insurance as Lender may require, and any certificates of insurance shall be issued on Acord Form-27. In the event Borrower fails to procure or cause to be procured any such insurance or to timely pay or cause to be paid the premium(s) on any such insurance, Lender may do so for Borrower, but Borrower shall continue to be liable for the same. The policies of all such casualty insurance shall contain standard Lender's Loss Payable Clauses (and, with respect to liability and interruption insurance, additional insured clauses) issued in favor of Lender under which all losses thereunder shall be paid to Lender as Lender's interest may appear. Such policies shall expressly provide that the requisite insurance cannot be altered or canceled without thirty (30) days prior written notice to Lender and shall insure Lender notwithstanding the act or neglect of Borrower. Borrower hereby appoints Lender as Borrower's attorney-in-fact, exercisable at Lender's option to endorse any check which may be payable to Borrower in order to collect the proceeds of such insurance and any amount or amounts collected by Lender pursuant to the provisions of this Section may be applied by Lender, in its sole discretion, to any Obligations or to repair, reconstruct or replace the loss of or damage to Collateral as Lender in its discretion may from time to time determine. Borrower further covenants that all insurance premiums owing under its current policies have been paid. Borrower shall notify Lender, immediately, upon Borrower's receipt of a notice of termination, cancellation, or non-renewal from its insurance company of any such policy.

c. Financial Records - Borrower shall keep current and accurate books of records and accounts in which full and correct entries will be made of all of its business transactions, and will reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with GAAP. Borrower shall not change its fiscal year end date without the prior written consent of Lender.

d. Corporate Existence and Rights - Borrower shall do (or cause to be done) all things necessary to preserve and keep in full force and effect its existence, good standing, rights and franchises.

e. Compliance with Laws - Borrower shall be in compliance in all material respects with any and all laws, ordinances, governmental rules and regulations, and court or administrative orders or decrees to which it is subject, whether federal, state or local, (including, without limitation, Environmental Laws and government procurement regulations) and shall obtain any and all licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Property or to the conduct of its businesses, which violation or failure to obtain causes or could cause a Material Adverse Effect. Borrower shall timely satisfy all assessments, fines, costs and penalties imposed (after exhaustion of all appeals, provided a stay has been put in effect during such appeal) by any Governmental Authority against Borrower or any Property of Borrower.

6.3. Business Conducted: Borrower shall continue in the business presently operated by it using its best efforts to maintain its customers and goodwill. Borrower shall not engage, directly or indirectly, in any material respect in any line of business substantially different from the businesses conducted by Borrower immediately prior to the Closing Date.

6.4. Litigation: Borrower shall give prompt notice to Lender of any litigation claiming in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) from Borrower or any Affiliate or Subsidiary of Borrower, or which may otherwise have a Material Adverse Effect.

6.5. Issue Taxes: Borrower shall pay all taxes (other than taxes based upon or measured by any Lender's income or revenues or any personal property tax), if any, in connection with the issuance of the Notes and the recording of any lien documents. The obligations of Borrower hereunder shall survive the payment of Borrower's Obligations hereunder and the termination of this Agreement.

6.6. Bank Accounts: Borrower shall maintain its major depository and disbursement account(s) with Lender.

6.7. Employee Benefit Plans: Borrower shall (a) fund all of its Pension Plan(s) in a manner that will satisfy the minimum funding standards of Section 302 of ERISA, (b) furnish Lender, promptly upon Lender's request, with copies of all reports or other statements filed with the United States Department of Labor, the PBGC or the IRS with respect to all Pension Plan(s), or which Borrower, or any member of a Controlled Group, may receive from the United States Department of Labor, the IRS or the PBGC, with respect to all such Pension Plan(s), and (c) promptly advise Lender of the occurrence of any reportable event (as defined in Section 4043 of ERISA, other than a reportable event for which the thirty (30) day notice requirement has been waived by the PBGC) or prohibited transaction (under Section 406 of ERISA or Section 4975 of the Internal Revenue Code) with respect to any such Pension Plan(s) and the action which Borrower proposes to take with respect thereto. Borrower will make all contributions when due with respect to any multi employer pension plan in which it participates and will promptly advise Lender upon (x) its receipt of notice of the assertion against Borrower of a claim for withdrawal liability, (y) the occurrence of any event which, to the best of Borrower's knowledge, would trigger the assertion of a claim for withdrawal liability against Borrower, and (z) upon the occurrence of any event which, to the best of Borrower's knowledge, would place Borrower in a Controlled Group as a result of which any member (including Borrower) thereof may be subject to a claim for withdrawal

liability, whether liquidated or contingent.

6.8. Financial Covenants: Borrower shall maintain and comply with the following financial covenants:

a. Tangible Net Worth – Borrower shall maintain a Tangible Net Worth of \$1,750,000.00.

b. Leverage Ratio - Borrower shall maintain a Leverage Ratio of not more than 1.0 to 1.0, measured semi-annually as of the end of each fiscal year and as of the end of each second fiscal quarter.

6.9. Financial and Business Information: Borrower shall deliver or cause to be delivered to Lender the following:

a. Financial Statements and Collateral Reports: such data, reports, statements and information, financial or otherwise, as Lender may reasonably request, including, without limitation:

i. within sixty (60) days after June 30<sup>th</sup> of each calendar year, the consolidated and consolidating (if applicable) or combined and combining (if applicable) income and cash flow statements of Borrower and its Subsidiaries for such semi-annual period and for the expired portion of the fiscal year ending with the end of such semi-annual period, setting forth in comparative form the corresponding figures for the corresponding periods of the previous fiscal year, and the consolidated and consolidating (if applicable) or combined and combining (if applicable) balance sheet of Borrower and its Subsidiaries as at the end of such semi-annual period, setting forth in comparative form the corresponding figures as at the end of the corresponding periods of the previous fiscal year, all in reasonable detail and certified by Borrower's chief financial officer or chief executive officer to have been prepared from the books and records of Borrower;

ii. on or before August 31, 2006, Borrower's monthly budget projections for fiscal years ended December 31, 2006 and December 31, 2007, composed of income statements, balance sheets and statements of cash flows including written assumptions;

iii. within one hundred twenty (120) days after the end of each fiscal year of Borrower, the consolidated and consolidating (if applicable) or combined and combining (if applicable) income and cash flow statements of Borrower and its Subsidiaries for such year, and the consolidated and consolidating (if applicable) or combined and combining (if applicable) balance sheet of Borrower and its Subsidiaries as at the end of such fiscal year, setting forth in each case in comparative form the corresponding figures as at the end of and for the previous fiscal year, all in reasonable detail, including all supporting schedules, and reviewed by Shapiro & Goldberg CPA PLLC, or an independent public accounting firm acceptable to Lender, and unqualifiedly certified to have been prepared in accordance with GAAP, and such independent public accountants shall also unqualifiedly certify that in making the examinations necessary to their certification mentioned above they have reviewed the terms of this Agreement and the accounts and conditions of Borrower during the accounting period covered by the certificate and that such review did not disclose the existence of any condition or event which constitutes a Default or an Event of Default (or if such conditions or events existed, describing them) together with copies of any management letters provided by such accountants to management of Borrower;

iv. within twenty (20) days of the end of each calendar month, Borrower's accounts receivable aging report, accounts payable aging report, inventory reports and such other reports as Lender reasonably deems necessary, certified by Borrower's chief financial officer or chief executive officer as true and correct, all in form and substance reasonably satisfactory to Lender;

v. within twenty (20) days of the end of each calendar month, Borrower's Collateral Accounts statements from Commerce Capital Markets, Inc. setting forth the current account balances.

b. Notice of Event of Default - promptly upon becoming aware of the existence of any condition or event which constitutes a Default or an Event of Default under this Agreement, a written notice specifying the nature and period of existence thereof and what action Borrower is taking (and proposes to take) with respect thereto;

c. Notice of Claimed Default - promptly upon receipt by Borrower, notice of default, oral or written, given to Borrower by any creditor for Indebtedness for borrowed money, otherwise holding long term Indebtedness; and

d. Securities and Other Reports - if Borrower shall be required to file reports with the Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, promptly upon its becoming available, one copy of each financial statement, report, notice or proxy statement sent by Borrower to stockholders generally, and, a copy of each regular or periodic report, and any registration statement, or prospectus in respect thereof, filed by Borrower with any securities exchange or with federal or state securities and exchange commissions or any successor agency.

6.10. Officer's Certificates: Along with the set of financial statements delivered to Lender at the end of the second fiscal quarter pursuant to Section 6.9(a)(i) hereof and the annual financial statements delivered pursuant to Section 6.9(a)(iii) hereof, Borrower shall deliver to Lender a certificate ("Semi-Annual Compliance Certificate") in a form reasonably acceptable to Lender from the chief financial officer, chief executive officer or president of Borrower (and as to certificates accompanying the annual financial statements of Borrower, also certified by Borrower's independent certified public accountant) setting forth:

a. Event of Default - that the signer has reviewed the relevant terms of this Agreement, and has made (or caused to be made under his/her supervision) a review of the transactions and conditions of Borrower from the beginning of the accounting period covered by the financial statements being delivered therewith to the date of the certificate, and that such review has not disclosed the existence during such period of any condition or event which constitutes a Default or an Event of Default or, if any such condition or event exists, specifying the nature and period of existence thereof and what action Borrower has taken or proposes to take with respect thereto.

b. Covenant Compliance - the information (including detailed calculations) required in order to establish that Borrower is in compliance with the requirements of Section 6.8 of this Agreement, as of the end of the period covered by the financial statements delivered.

6.11. Audits and Inspection: Borrower shall permit any of Lender's officers or other

representatives to visit and inspect upon reasonable notice during business hours any of the locations of Borrower, to examine and audit all of Borrower's books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss its affairs, finances and accounts with its officers, employees and independent certified public accountants all at Borrower's expense at the standard rates charged by Lender for such activities, plus Lender's reasonable out-of-pocket expenses (all of which amounts shall be Expenses); provided that, Lender shall not, unless an Event of Default occurs, conduct more than one (1) audit per year.

6.12. Tax Returns, Financial Statements and Other Reports: Within thirty (30) days after the filing thereof, Borrower shall furnish, or shall cause to be furnished, to Lender copies of (a) the annual federal and state income tax returns of Borrower for the immediately preceding year, and (b) the personal financial statement (on Lender's form) for each Surety, if an individual. Borrower further agrees that, if requested by Lender, it shall promptly furnish Lender with copies of all reports filed with any federal, state or local Governmental Authority.

6.13. Information to Participant: Lender may divulge to any participant, assignee or co-lender or prospective participant, assignee or co-lender it may obtain in the Revolving Credit or any portion thereof, all information, and furnish to such Person copies of any reports, financial statements, certificates, and documents obtained under any provision of this Agreement, or related agreements and documents.

6.14. Material Adverse Developments: Borrower agrees that immediately upon becoming aware of any development or other information outside the ordinary course of business which would reasonably be expected to have a Material Adverse Effect, excluding matters of a general economic, financial or political nature, it shall give to Lender telephonic notice specifying the nature of such development or information and such anticipated effect. In addition, such verbal communication shall be confirmed by written notice thereof to Lender on the same day such verbal communication is made or the next Business Day thereafter.

6.15. Places of Business: Borrower shall give thirty (30) days prior written notice to Lender of any changes in the location of any of its respective places of business, of the places where records concerning its Accounts or where its Inventory are kept, or the establishment of any new, or the discontinuance of any existing place of business; provided that Borrower may not establish any place of business outside of the United States.

6.16. Commercial Tort Claims: Borrower will immediately notify Lender in writing in the event that Borrower becomes a party to or obtains any rights with respect to any Commercial Tort Claim. Such notification shall include information sufficient to describe such Commercial Tort Claim, including, but not limited to, the parties to the claim, the court in which the claim was commenced, the docket number assigned to such claim, if any, and a detailed explanation of the events that gave rise to the claim. Borrower shall execute and deliver to Lender all documents and/or agreements necessary to grant Lender a security interest in such Commercial Tort Claim to secure the Obligations. Borrower authorizes Lender to file (without Borrower's signature) initial financing statements or amendments, as Lender deems necessary to perfect its security interest in the Commercial Tort Claim.

6.17. Letter of Credit Rights: Borrower shall provide Lender with written notice of any Letters of Credit for which Borrower is the beneficiary. Borrower shall execute and deliver (or cause to be executed or delivered) to Lender, all documents and agreements as Lender may require in order to

obtain and perfect its security interest in such Letter of Credit Rights.

6.18. Loans from Shareholders and Affiliates: All loans made to Borrower by any shareholders or Affiliates of Borrower shall be subordinate to all Loans and Letters of Credit issued hereunder by Lender.

## SECTION VII. BORROWER'S NEGATIVE COVENANTS:

Borrower covenants that until all of the Obligations are paid and satisfied in full and the Revolving Credit has been terminated, that:

### 7.1. Merger, Consolidation, Dissolution or Liquidation:

a. Borrower shall not engage in any Asset Sale other than: (i) Inventory sold in the ordinary course of Borrower's business, or (ii) equipment that is replaced by other equipment of comparable or superior quality and value within ninety (90) days of such Asset Sale.

b. Borrower shall not merge or consolidate with any other Person or commence a dissolution or liquidation.

7.2. Acquisitions: Borrower shall not acquire all or a material portion of the Capital Stock or assets of any Person in any transaction or in any series of related transactions or enter into any sale and leaseback transaction.

7.3. Liens and Encumbrances: Borrower shall not: (i) execute a negative pledge agreement with any Person covering any of its Property, or (ii) cause or permit or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), its Property (including, without limitation, the Collateral), whether now owned or hereafter acquired, to be subject to a Lien or be subject to any claim except for Permitted Liens.

### 7.4. Transactions With Affiliates or Subsidiaries:

a. Borrower shall not enter into any transaction with any shareholder, Subsidiary or other Affiliate, including, without limitation, the purchase, sale, or exchange of Property, or the loaning or giving of funds to any shareholder, Affiliate or any Subsidiary unless: (i) such shareholder, Subsidiary or Affiliate is engaged in a business substantially related to the business conducted by Borrower, is a Borrower hereunder and the transaction is in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon terms substantially the same and no less favorable to Borrower as it would obtain in a comparable arm's length transactions with any Person not an Affiliate or a Subsidiary, and so long as such transaction is not prohibited hereunder; or (ii) such transaction is intended for incidental administrative purposes. Notwithstanding the foregoing, Borrower (A) may accept rent and other charges from an Affiliate as tenant pursuant to the lease of its premises at the address set forth in Section 9.8, as such lease may be reasonably modified, amended or extended from time to time, or pursuant to any replacement lease of the premises with an Affiliate, (B) may make sales and purchases of goods and services to and from Charles Leonard National, Inc. ("CLN"), (C) may apportion warehousing costs and other administrative costs and expenses between Borrower and CLN, and (D) except as permitted above, shall not for any reason directly or indirectly make any loans or transfers to CLN.



b. Borrower shall not create or acquire any Subsidiary.

7.5. Guarantees: Excepting the endorsement in the ordinary course of business of negotiable instruments for deposit or collection, Borrower shall not become or be liable, directly or indirectly, primary or secondary, matured or contingent, in any manner, whether as guarantor, surety, accommodation maker, or otherwise, for the existing or future Indebtedness of any kind of any Person.

7.6. Distributions, Bonuses and Other Indebtedness: Borrower shall not: (a) declare or pay or make any forms of Distribution to holders of Borrower's Capital Stock, other than Permitted Tax Distributions; (b) declare or pay any bonus compensation to its officers if an Event of Default exists or would result from the payment thereof; (c) hereafter incur or become liable for any Indebtedness other than Permitted Indebtedness; (d) make any prepayments on any existing or future Indebtedness (other than the Obligations); or (e) make any payments on Subordinated Debt in violation of the subordination provisions of the applicable Subordination Agreements.

7.7. Loans and Investments: Borrower shall not make or have outstanding loans, advances, extensions of credit or capital contributions to, or investments in, any Person other than Permitted Investments.

7.8. Use of Lender's Name: Borrower shall not use Lender's name in connection with any of its business operations, except as may be reasonably necessary in its ordinary course of business. Nothing herein contained is intended to permit or authorize Borrower to make any contract on behalf of Lender.

7.9. Miscellaneous Covenants:

a. Borrower shall not become or be a party to any contract or agreement which at the time of becoming a party to such contract or agreement materially impairs Borrower's ability to perform under this Agreement, or under any other instrument, agreement or document to which Borrower is a party or by which it is or may be bound.

b. Borrower shall not carry or purchase any "margin stock" within the meaning of Regulations U, T or X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

7.10. Jurisdiction of Organization: If a Registered Organization, Borrower shall not change its jurisdiction of organization.

## SECTION VIII. DEFAULT

8.1. Events of Default: Each of the following events shall constitute an event of default ("Event of Default"):

a. Payments - if Borrower fails to make any payment of principal or interest under the Obligations on the date such payment is due and payable; or

b. Other Charges - if Borrower fails to pay any other charges, fees, Expenses or other monetary obligations owing to Lender arising out of or incurred in connection with this

Agreement within five (5) Business Days after the date such payment is due and payable; or

c. Particular Covenant Defaults - if Borrower fails to perform, comply with or observe any covenant or undertaking contained in this Agreement and (other than with respect to the covenants contained in Section 6.8 and Section 7 for which no cure period shall exist), such failure continues for fifteen (15) days after the occurrence thereof; or

d. Financial Information - if any statement, report, financial statement, or certificate made or delivered by Borrower or any of its officers, employees or agents, to Lender is not true and correct, in all material respects, when made; or

e. Uninsured Loss - if there shall occur any uninsured damage to or loss, theft, or destruction in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) in the aggregate with respect to any portion of any Property of Borrower; or

f. Warranties or Representations - if any warranty, representation or other statement by or on behalf of Borrower contained in or pursuant to this Agreement, the other Loan Documents or in any document, agreement or instrument furnished in compliance with, relating to, or in reference to this Agreement, is false, erroneous, or misleading in any material respect when made; or

g. Agreements with Others - (i) if Borrower, or any Affiliate or Subsidiary of Borrower, shall default beyond any applicable grace period in the payment of principal or interest of any Indebtedness of Borrower, or of indebtedness of Borrower's Affiliate or Subsidiary, as applicable, in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) in the aggregate; or (ii) if Borrower, or any Affiliate or Subsidiary of Borrower, otherwise defaults under the terms of any such Indebtedness if the effect of such default is to enable the holder of such Indebtedness to accelerate the payment of Borrower's obligations, or to accelerate the payment of the obligations of Borrower's Affiliate or Subsidiary, as applicable, which are the subject thereof, prior to the maturity date or prior to the regularly scheduled date of payment;

h. Other Agreements with Lender - if Borrower, or any Affiliate or Subsidiary of Borrower, breaches or violates the terms of, or if a default (and expiration of any applicable cure period), or an Event of Default, occurs under, any Interest Hedging Instrument or any other existing or future agreement (related or unrelated) (including, without limitation, the other Loan Documents) between Lender and Borrower or between Lender and an Affiliate or Subsidiary of Borrower; or

i. Judgments - if any final judgment for the payment of money in excess of Fifty Thousand Dollars (\$50,000.00) in the aggregate (i) which is not fully and unconditionally covered by insurance or (ii) for which Borrower has not established a cash or cash equivalent reserve in the full amount of such judgment, shall be rendered by a court of record against Borrower and such judgment shall continue unsatisfied and in effect for a period of thirty (30) consecutive days without being vacated, discharged, satisfied or bonded pending appeal; or

j. Assignment for Benefit of Creditors, etc. - if Borrower makes or proposes in writing, an assignment for the benefit of creditors generally, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any business or assets now or hereafter owned or conducted by Borrower; or

k. Bankruptcy, Dissolution, etc. - upon the commencement of any action for the dissolution or liquidation of Borrower, or the commencement of any proceeding to avoid any transaction entered into by Borrower, or the commencement of any case or proceeding for reorganization or liquidation of Borrower's debts under the Bankruptcy Code or any other state or federal law, now or hereafter enacted for the relief of debtors, whether instituted by or against Borrower; provided however, that Borrower shall have forty-five (45) days to obtain the dismissal or discharge of involuntary proceedings filed against it, it being understood that during such forty-five (45) day period, Lender shall not be obligated to make Advances hereunder and Lender may seek adequate protection in any bankruptcy proceeding; or

l. Receiver - upon the appointment of a receiver, liquidator, custodian, trustee or similar official or fiduciary for any Borrower or for Borrower's Property; or

m. Execution Process, etc. - the issuance of any execution or distraint process against any Property of Borrower; or

n. Termination of Business - if Borrower ceases any material portion of its business operations as presently conducted; or

o. Pension Benefits, etc. - if Borrower fails to comply with ERISA so that proceedings are commenced to appoint a trustee under ERISA to administer Borrower's employee plans or the PBGC institutes proceedings to appoint a trustee to administer such plan(s), or a Lien is entered to secure any deficiency or claim or a "reportable event" as defined under ERISA occurs; or

p. Investigations - any indication or evidence received by Lender that reasonably leads it to believe Borrower may have directly or indirectly been engaged in any type of activity which, would be reasonably likely to result in the forfeiture of any material property of Borrower to any governmental entity, federal, state or local; or

q. Change of Control - if there shall occur a Change of Control; or

r. Surety Agreement - if any breach or default occurs beyond any applicable grace period under a Surety Agreement, if any Surety dies, or if a Surety Agreement, or any obligation to perform thereunder, is terminated; or

s. Security and Control Agreement - if any breach or default occurs beyond any applicable grace period under a Security and Control Agreement, or if a Security and Control Agreement, or any obligation to perform thereunder, is terminated;

t. Pledge Agreement - if any breach or default occurs beyond any applicable grace period under a Pledge Agreement, or if a Pledge Agreement, or any obligation to perform thereunder, is terminated;

u. Bank of New York Letter Agreement - if any breach or default occurs beyond any applicable grace period under a Bank of New York Letter Agreement, or if a Bank of New York Letter Agreement, or any obligation to perform thereunder, is terminated;

v. Liens - if any Lien in favor of Lender shall cease to be valid, enforceable and

perfected and prior to all other Liens other than Permitted Liens or if Borrower or any Governmental Authority shall assert any of the foregoing; or

w. Material Adverse Effect – if there is any change in Borrower's financial condition which, in Lender's reasonable opinion, has or would be reasonably likely to have a Material Adverse Effect, or

x. Other Loan Documents - if any other Person (other than Lender) party to a Loan Document, breaches or violates any term, provision or condition of such Loan Document beyond any applicable grace period.

8.2. Cure: Nothing contained in this Agreement or the Loan Documents shall be deemed to compel Lender to accept a cure of any Event of Default hereunder.

8.3. Rights and Remedies on Default:

a. In addition to all other rights, options and remedies granted or available to Lender under this Agreement or the Loan Documents (each of which is also then exercisable by Lender), or otherwise available at law or in equity, upon or at any time after the occurrence and during the continuance of a Default or an Event of Default, Lender may, in its discretion, withhold or cease making Advances under the Revolving Credit.

b. In addition to all other rights, options and remedies granted or available to Lender under this Agreement or the Loan Documents (each of which is also then exercisable by Lender), or otherwise available at law or in equity, upon or at any time after the occurrence and during the continuance of an Event of Default Lender may, in its discretion, terminate the Revolving Credit and declare the Obligations immediately due and payable, all without demand, notice, presentment or protest or further action of any kind (it also being understood that the occurrence of any of the events or conditions set forth in Sections 8.1(j),(k) or (l) shall automatically cause an acceleration of the Obligations).

c. (c) In addition to all other rights, options and remedies granted or available to Lender, under this Agreement or the Loan Documents (each of which is also then exercisable by Lender), upon or at any time after the occurrence and during the continuance of an Event of Default, Borrower shall be obligated to deliver and pledge to Lender, cash collateral in the amount of all outstanding Letters of Credit.

d. In addition to all other rights, options and remedies granted or available to Lender under this Agreement or the Loan Documents (each of which is also then exercisable by Lender), or otherwise available at law or in equity, upon or at any time after the acceleration of the Obligations following the occurrence of an Event of Default (other than the rights with respect to clause (iv) below which Lender may exercise at any time after an Event of Default and regardless of whether there is an acceleration), Lender may, in its discretion, exercise all rights under the UCC and any other applicable law or in equity, and under all Loan Documents permitted to be exercised after the occurrence of an Event of Default, including the following rights and remedies (which list is given by way of example and is not intended to be an exhaustive list of all such rights and remedies):

i. The right to take possession of, send notices regarding and collect

directly the Collateral, with or without judicial process (including without limitation the right to notify the United States postal authorities to redirect mail addressed to Borrower to an address designated by Lender); or

ii. By its own means or with judicial assistance, enter Borrower's premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on such premises in compliance with subsection (e) below, without any liability for rent, storage, utilities or other sums, and Borrower shall not resist or interfere with such action; or

iii. Require Borrower at Borrower's expense to assemble all or any part of the Collateral (other than real estate or fixtures) and make it available to Lender at any place designated by Lender; or

iv. The right to reduce or modify the Borrowing Base or to modify the terms and conditions upon which Lender may be willing to consider making Advances under the Revolving Credit or to take additional reserves against the Revolving Credit; or

v. The right to enjoin any violation of Section 7.1, it being agreed that Lender's remedies at law are inadequate.

e. Borrower hereby agrees that a notice received by it at least seven (7) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition. If permitted by applicable law, any perishable inventory or Collateral which threatens to speedily decline in value or which is sold on a recognized market may be sold immediately by Lender without prior notice to Borrower. Borrower covenants and agrees not to interfere with or impose any obstacle to Lender's exercise of its rights and remedies with respect to the Collateral, after the occurrence of an Event of Default hereunder. Lender shall have no obligation to clean up or prepare the Collateral for sale. If Lender sells any of the Collateral upon credit, Borrower will only be credited with payments actually made by the purchaser thereof, that are received by Lender. Lender may, in connection with any sale of the Collateral specifically disclaim any warranties of title or the like.

8.4. Nature of Remedies: All rights and remedies granted Lender hereunder and under the Loan Documents, or otherwise available at law or in equity, shall be deemed concurrent and cumulative, and not alternative remedies, and Lender may proceed with any number of remedies at the same time until all Obligations are satisfied in full. The exercise of any one right or remedy shall not be deemed a waiver or release of any other right or remedy, and Lender, upon or at any time after the occurrence of an Event of Default, may proceed against Borrower, at any time, under any agreement, with any available remedy and in any order.

8.5. Set-Off: If any bank account of Borrower with Lender or any participant is attached or otherwise liened or levied upon by any third party, Lender (and such participant) shall have and be deemed to have, without notice to Borrower, the immediate right of set-off and may apply the funds or amount thus set-off against any of Borrower's Obligations hereunder.

## SECTION IX. MISCELLANEOUS

9.1. Governing Law: THIS AGREEMENT, AND ALL RELATED AGREEMENTS

AND DOCUMENTS, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE WHERE LENDER'S OFFICE IDENTIFIED IN SECTION 9.8 IS LOCATED. THE PROVISIONS OF THIS AGREEMENT AND ALL OTHER AGREEMENTS AND DOCUMENTS REFERRED TO HEREIN ARE TO BE DEEMED SEVERABLE, AND THE INVALIDITY OR UNENFORCEABILITY OF ANY PROVISION SHALL NOT AFFECT OR IMPAIR THE REMAINING PROVISIONS WHICH SHALL CONTINUE IN FULL FORCE AND EFFECT.

9.2. Integrated Agreement: The Note, the other Loan Documents, all related agreements, and this Agreement shall be construed as integrated and complementary of each other, and as augmenting and not restricting Lender's rights and remedies. If, after applying the foregoing, an inconsistency still exists, the provisions of this Agreement shall constitute an amendment thereto and shall control.

9.3. Waiver: No omission or delay by Lender in exercising any right or power under this Agreement or any related agreements and documents will impair such right or power or be construed to be a waiver of any Default, or Event of Default or an acquiescence therein, and any single or partial exercise of any such right or power will not preclude other or further exercise thereof or the exercise of any other right, and as to Borrower no waiver will be valid unless in writing and signed by Lender and then only to the extent specified.

9.4. Indemnity:

a. Borrower releases and shall indemnify, defend and hold harmless Lender and its respective officers, employees and agents, of and from any claims, demands, liabilities, obligations, judgments, injuries, losses, damages and costs and expenses (including, without limitation, reasonable legal fees) resulting from (i) acts or conduct of Borrower under, pursuant, or related to this Agreement or the other Loan Documents, (ii) Borrower's breach or violation of any representation, warranty, covenant or undertaking contained in this Agreement or the other Loan Documents, (iii) Borrower's failure to comply with any or all laws, statutes, ordinances, governmental rules, regulations or standards, whether federal, state or local, or court or administrative orders or decrees, (including without limitation Environmental Laws, etc.), (iv) acts or conduct of any Depositor under, pursuant, or related to any Security and Control Agreement, any Pledge Agreement, or any other Loan Documents to which such Depositor is a party, (v) any Depositor's breach or violation of any representation, warranty, covenant or undertaking contained in any Security and Control Agreement, any Pledge Agreement, or any other Loan Documents to which such Depositor is a party, and (vi) any claim by any other creditor of Borrower against Lender arising out of any transaction whether hereunder or in any way related to the Loan Documents and all costs, expenses, fines, penalties or other damages resulting therefrom, unless resulting solely from acts or conduct of Lender constituting willful misconduct or gross negligence.

b. Promptly after receipt by an indemnified party under subsection (a) above of notice of the commencement of any action by a third party, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof. The omission so to notify the indemnifying party shall relieve the indemnifying party from any liability which it may have to any indemnified party under such subsection only if the indemnifying party is unable to defend such actions as a result of such failure to so notify. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party

shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnified party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation.

9.5. Time: Whenever Borrower shall be required to make any payment, or perform any act, on a day which is not a Business Day, such payment may be made, or such act may be performed, on the next succeeding Business Day. Time is of the essence in Borrower's performance under all provisions of this Agreement and all related agreements and documents.

9.6. Expenses of Lender: At Closing and from time to time thereafter, Borrower will pay upon demand of Lender all reasonable costs, fees and expenses of Lender in connection with (i)(A) the analysis, negotiation, preparation, execution, delivery and termination of this Agreement, and other Loan Documents and the documents and instruments referred to herein and therein (the "Ancillary Documents"), and any amendment, amendment and restatement, supplement, waiver or consent relating hereto or thereto, whether or not any such amendment, amendment and restatement, supplement, waiver or consent is executed or becomes effective, (B) search costs, (C) the reasonable fees, expenses and disbursements of counsel for Lender in connection with the Loan Agreement, the other Loan Documents or the Ancillary Documents, including without limitation, any reasonable fees incurred as a result of any reasonably necessary administration thereof, (D) any fees or expenses incurred by Lender under Section 6.11 for which Borrower is obligated thereunder, and (E) reasonable charges of any expert consultant to Lender, (ii) the enforcement of Lender's rights hereunder, or the collection of any payments owing from, Borrower under this Agreement and/or the other Loan Documents or the protection, preservation or defense of the rights of Lender hereunder and under the other Loan Documents, and (iii) any refinancing or restructuring of the credit arrangements provided under this Agreement and other Loan Documents in the nature of a "work-out" or of any insolvency or bankruptcy proceedings, or otherwise (including the reasonable fees and disbursements of counsel for Lender and, with respect to clauses (ii) and (iii), reasonable allocated costs of internal counsel) (collectively, the "Expenses");

9.7. Brokerage: This transaction was brought about and entered into by Lender and Borrower acting as principals and without any brokers, agents or finders being the effective procuring cause hereof. Each party represents to the other that it has not committed the other to the payment of any brokerage fee, commission or charge in connection with this transaction. Each party hereby indemnifies, defends and saves the other party harmless against any claim arising from or out of a breach of such representation, and further will defend, with counsel reasonably satisfactory to the indemnified party, any action or actions to recover on such claim, at the breaching party's own cost and expense, including the indemnified party's reasonable counsel fees. Borrower further agrees that until any such claim or demand is adjudicated against Lender in such party's favor, the amount demanded shall be deemed an Obligation of Borrower under this Agreement.

9.8. Notices:

a. Any notices or consents required or permitted by this Agreement shall be in

writing and shall be deemed given if delivered in person to the person listed below or if sent by telecopy or by nationally recognized overnight courier, as follows, unless such address is changed by written notice hereunder:

If to Lender to:	Commerce Bank, N.A. 45 Melville Park Road Melville, New York 11747 Attention: Candice A. Singer Telecopy No.: (631) 962-2749
With copies to:	Reisman, Peirez & Reisman, L.L.P. 1305 Franklin Avenue Garden City, New York 11530 Attention: Jerome Reisman, Esq. Telecopy No.: (516) 742-4946
If to Borrower to:	Charles Leonard, Inc. 145 Kennedy Drive Hauppauge, New York 11788 Attention: President Telecopy No.: (631) 273-6777
With copies to:	Meltzer, Lippe & Goldstein & Breitstone, LLP 190 Willis Avenue Mineola, New York 11501 Attention: David Schaffer, Esq. Telecopy No.: (516) 747-0653

b. Any notice sent by Lender, or Borrower by any of the above methods shall be deemed to be given when so received.

c. Lender shall be fully entitled to rely upon any telecopy transmission or other writing purported to be sent by any Authorized Officer (whether requesting an Advance or otherwise) as being genuine and authorized.

9.9. Headings: The headings of any paragraph or Section of this Agreement are for convenience only and shall not be used to interpret any provision of this Agreement.

9.10. Survival: All warranties, representations, and covenants made by Borrower herein, or in any agreement referred to herein or on any certificate, document or other instrument delivered by it or on its behalf under this Agreement, shall be considered to have been relied upon by Lender, and shall survive the delivery to Lender of the Notes, regardless of any investigation made by Lender or on its behalf. All statements in any such certificate or other instrument prepared and/or delivered for the benefit of Lender shall constitute warranties and representations by Borrower hereunder. Except as otherwise expressly provided herein, all covenants made by Borrower hereunder or under any other agreement or instrument shall be deemed continuing until all Obligations are satisfied in full. All



indemnification obligations under this Agreement, including under Section 2.2, 6.5, 9.4 and 9.7, shall survive the termination of this Agreement and payment of the Obligations for a period of two (2) years.

9.11. Successors and Assigns: This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties. Borrower may not transfer, assign or delegate any of its duties or obligations hereunder. Borrower acknowledges and agrees that Lender may at any time, and from time to time, (a) sell participating interests in the Loans, and Lender's rights hereunder to other financial institutions, and (b) sell, transfer, or assign the Loans and Lender's rights hereunder, to any one or more additional banks or financial institutions, subject (as to Lender's rights under this clause (b)) to Borrower's written consent, which consent shall not be unreasonably withheld; provided that, no consent under this clause (b) shall be required if an Event of Default exists at the time of such sale, transfer or assignment.

9.12. Duplicate Originals: Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

9.13. Modification: No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed by Borrower and Lender.

9.14. Signatories: Each individual signatory hereto represents and warrants that he is duly authorized to execute this Agreement on behalf of his principal and that he executes the Agreement in such capacity and not as a party.

9.15. Third Parties: No rights are intended to be created hereunder, or under any related agreements or documents for the benefit of any third party donee, creditor or incidental beneficiary of Borrower. Nothing contained in this Agreement shall be construed as a delegation to Lender of Borrower's duty of performance, including, without limitation, Borrower's duties under any account or contract with any other Person.

9.16. Discharge of Taxes, Borrower's Obligations, Etc.: Lender, in its sole discretion, shall have the right at any time, and from time to time, with at least ten (10) days prior notice to Borrower if Borrower fail to do so, to: (a) pay for the performance of any of Borrower's obligations hereunder, and (b) discharge taxes or Liens, at any time levied or placed on Borrower's Property in violation of this Agreement unless Borrower is in good faith with due diligence by appropriate proceedings contesting such taxes or Liens and maintaining proper reserves therefor in accordance with GAAP. Expenses and advances shall be added to the Revolving Credit, and bear interest at the rate applicable to the Revolving Credit, until reimbursed to Lender. Such payments and advances made by Lender shall not be construed as a waiver by Lender of a Default or Event of Default under this Agreement.

9.17. Withholding and Other Tax Liabilities: Lender shall have the right to refuse to make any Advances from time to time unless Borrower shall, at Lender's request, have given to Lender evidence, reasonably satisfactory to Lender, that Borrower has properly deposited or paid, as required by law, all withholding taxes and all federal, state, city, county or other taxes due up to and including the date of the requested Advance. Copies of deposit slips showing payment shall constitute satisfactory evidence for such purpose. In the event that any Lien, assessment or tax liability against Borrower shall arise in favor of any taxing authority, whether or not notice thereof shall be filed or recorded as may be required by law, Lender shall have the right (but shall not be obligated, nor shall Lender hereby assume the duty)

to pay any such Lien, assessment or tax liability by virtue of which such charge shall have arisen; provided, however, that Lender shall not pay any such tax, assessment or Lien if the amount, applicability or validity thereof is being contested in good faith and by appropriate proceedings by Borrower. In order to pay any such Lien, assessment or tax liability, Lender shall not be obliged to wait until such lien, assessment or tax liability is filed before taking such action as hereinabove set forth. Any sum or sums which Lender shall have paid for the discharge of any such Lien shall be added to the Revolving Credit and shall be paid by Borrower to Lender with interest thereon at the rate applicable to the Revolving Credit, upon demand, and Lender shall be subrogated to all rights of such taxing authority against Borrower.

9.18. Consent to Jurisdiction: Borrower and Lender each hereby irrevocably consent to the non-exclusive jurisdiction of the Courts of the state where Lender's office identified in Section 9.8 is located or the United States District Court for the Eastern District of New York in any and all actions and proceedings whether arising hereunder or under any other agreement or undertaking. Borrower waives any objection which Borrower may have based upon lack of personal jurisdiction, improper venue or forum non conveniens. Borrower irrevocably agrees to service of process by certified mail, return receipt requested to the address of the appropriate party set forth herein.

9.19. Additional Documentation: Borrower shall execute and/or re-execute, and cause any Surety or other Person party to any Loan Document, to execute and/or re-execute and to deliver to Lender or Lender's counsel, as may be deemed appropriate, any document or instrument signed in connection with this Agreement which was incorrectly drafted and/or signed, as well as any document or instrument which should have been signed at or prior to the Closing, but which was not so signed and delivered. Borrower agrees to comply with any written request by Lender within ten (10) days after receipt by Borrower of such request.

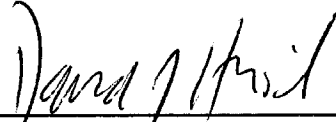
9.20. Advertisement:  
i. Lender shall have the right to announce and publicize the financing established hereunder, as it deems appropriate, by means and media selected by Lender, provided, that Lender obtains Borrower's prior written consent with respect to the information disclosed about Borrower and with respect to the means and media utilized in connection therewith, such consent not to be unreasonably withheld. Subject to the foregoing, such publication shall include all pertinent information relating to such financing, including without limitation, the term, purpose, pricing, loan amount, name of Borrower and location of any Real Property.

9.21. Waiver of Jury Trial: BORROWER AND LENDER EACH HEREBY WAIVE ANY AND ALL RIGHTS IT MAY HAVE TO A JURY TRIAL IN CONNECTION WITH ANY LITIGATION, PROCEEDING OR COUNTERCLAIM ARISING WITH RESPECT TO RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO OR UNDER THE LOAN DOCUMENTS OR WITH RESPECT TO ANY CLAIMS ARISING OUT OF ANY DISCUSSIONS, NEGOTIATIONS OR COMMUNICATIONS INVOLVING OR RELATED TO ANY PROPOSED RENEWAL, EXTENSION, AMENDMENT, MODIFICATION, RESTRUCTURE, FORBEARANCE, WORKOUT, OR ENFORCEMENT OF THE TRANSACTIONS CONTEMPLATED BY THE LOAN DOCUMENTS.

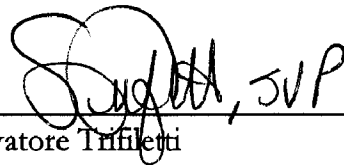
9.22. Consequential Damages: Neither Lender nor agent or attorney of Lender, shall be liable for any consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement the day and year first above written.

CHARLES LEONARD, INC.

By:   
Name: David Hirsch  
Title: President

COMMERCE BANK, N.A.

By:   
Name: Salvatore Trifiletti  
Title: Senior Vice President

Schedule 1.1(a)

Municipal Bonds and Mutual Funds and Cash Collateral and Government Securities

See Attached.



**General Money Market Fund-Class A**

Dreyfus Service Corporation Distributor

400799356

Dealer: \*000505-000000008  
Rep: -  
BANK OF NEW YORK  
CARLOS ESPINOSA AVP  
100 CHURCH ST.  
7TH FLOOR  
NEW YORK NY 10286-0001

F01A 200 DM.1-5.10Z 45200 45200 1 1  
DREST2MD.A31610.0001.45200

THE BANK OF NEW YORK AS AGENT FOR  
DOFRA CORP  
PO BOX 18048  
HAUPPAUGE NY 11788-8848

Please contact your Bank of New York administrator regarding any questions or transactions you may have regarding your check invest/overflow account.

**ACCOUNT AT A GLANCE**

Personal account as of 06/30/06  
**Total Market Value \$286,861.29**

Dividend/distribution summary This period Year-to-date  
**Dividend income \$1,003.21 \$5,379.37**

**ACCOUNT ACTIVITY**

**General Money Market Fund-Class A**

- \* The 7 day simple annualized yield ending 06/30/06 was 4.40%
- \* The 30 day simple annualized yield ending 06/30/06 was 4.32%

\* Please see reverse side for additional yield information

Account number: **0196-0400004843**

Customer number: 96900581570

Trade date	Description	Dollar amount	Share price	Shares this transaction	Total shares owned
	Market Value as of 05/31/06	\$281,313.08	\$1.00		281,313.080
06/13/06	Redemption Of Shares	-455.00	1.00	-455.000	280,858.080
06/21/06	Shares Purchased By Wire	5,000.00	1.00	5,000.000	285,858.080
06/30/06	Dividend Reinvest	1,003.21	1.00	1,003.210	286,861.290
	<b>Market Value as of 06/30/06</b>	<b>\$286,861.29</b>	<b>1.00</b>		<b>286,861.290</b>

Mutual fund shares are not bank deposits, bank obligations, FDIC-insured or bank-guaranteed. They involve certain risk including loss of principal.

**INVESTMENT SLIP**

**General Money Market Fund-Class A**

To purchase additional shares, make your check payable in U.S. dollars to:

**DREYFUS FAMILY OF FUNDS**  
and mail together with this slip to:

Dreyfus Family of Funds  
P.O. BOX 105  
Newark, NJ 07101-0105

Fund Account #: 0196-0400004843  
Customer number: 96900581570  
Dealer: \*000505-000000008

THE BANK OF NEW YORK AS AGENT FOR  
DOFRA CORP  
PO BOX 18048  
HAUPPAUGE NY 11788-8848

Minimum investment: \$100.00

Amount enclosed: \$

**X**

If your address is incorrect, please make any changes above, have all registered owners sign and return this slip. Do not write in the white area below.

0196 0400004843 0402010012 0000010000 0





A MELLON FINANCIAL COMPANY

ACCOUNT STATEMENT  
06/01/06 through 06/30/06

General Money Market Fund-Class A

Dreyfus Service Corporation Distributor

405799841

Dealer: \*000505-000000008  
Rep:  
BANK OF NEW YORK  
CARLOS ESPINOSA AVP  
100 CHURCH ST.  
7TH FLOOR  
NEW YORK NY 10286-0001

F01A 221 DM 1-5 10Z 45229 45229 1  
DREST2MB J43810.0001 45229

THE BANK OF NEW YORK AS AGENT FOR  
CHALEN CORP  
PO BOX 18048  
HAUPPAUGE NY 11788-8848

Please contact your Bank of New York administrator regarding any questions or transactions you may have regarding your check invest/overflow account.

ACCOUNT AT A GLANCE

Personal account as of 06/30/06  
Total Market Value \$373,655.99

Dividend/distribution summary This period Year-to-date  
Dividend income \$1,321.14 \$7,289.35

ACCOUNT ACTIVITY

General Money Market Fund-Class A

- \* The 7 day simple annualized yield ending 06/30/06 was 4.40%
- \* The 30 day simple annualized yield ending 06/30/06 was 4.32%

\* Please see reverse side for additional yield information

Account number: 0196-0400004902

Customer number: 96904052599

Trade date	Description	Dollar amount	Share price	Shares this transaction	Total shares owned
	Market Value as of 05/31/06	\$372,334.85	\$1.00		372,334.850
06/30/06	Dividend Reinvest	1,321.14	1.00	1,321.140	373,655.990
	Market Value as of 06/30/06	\$373,655.99	1.00		373,655.990

Mutual fund shares are not bank deposits, bank obligations, FDIC-insured or bank-guaranteed. They involve certain risk including loss of principal

INVESTMENT SLIP

General Money Market Fund-Class A

To purchase additional shares, make your check payable in U.S. dollars to:

**DREYFUS FAMILY OF FUNDS**  
and mail together with this slip to:

Dreyfus Family of Funds  
P O. BOX 105  
Newark, NJ 07101-0105

Fund Account #: 0196-0400004902  
Customer number: 96904052599  
Dealer: \*000505-000000008

THE BANK OF NEW YORK AS AGENT FOR  
CHALEN CORP  
PO BOX 18048  
HAUPPAUGE NY 11788-8848

Minimum investment: \$100.00

Amount enclosed: \$

Amount enclosed: \$

X

If your address is incorrect, please make any changes above, have all registered owners sign and return this slip. Do not write in the white area below

0196 0400004902 0402010012 0000010000 1



SAFECKEEPING ACCOUNT 935207  
 CHARLES HIRSCH  
 ASSETS HELD JUNE 30, 2006

PAR VALUE		MARKET VALUE	PRICE	PR-DATE
100,000	NEW YORK ST CORR AUTH REV	105,371.00	105.37100	06/30/06
	5.00% 10/02/12			
	2442600 6422010A1			
200,000	ONONDAGA CNTY N Y	210,840.00	105.42000	06/30/06
	5.00% 08/01/13			
	2683376 6827432A0			
125,000	PUERTO RICO PUB BLDGS AUTH REV CRTD	143,420.00	114.73600	06/30/06
	6.25% 07/01/14			
	2976339 7452251F4			
	TOTAL BONDS MKT. VAL.	459,631.00		

SHARES		MARKET VALUE	PRICE	PR-DATE
2,516.264	BNY HAMILTON INTER NY TAX-EX FUND INST	26,596.81	10.57000	06/30/06
	4192769 05561M754			
	TOTAL STOCKS MKT. VAL.	26,596.81		

INCOME \$7,500.00  
 PRINCIPAL 5.00

TOTAL MKT. VAL. FOR SECURITIES 486,227.81



Schedule 1.1(b)

Permitted Indebtedness

Principal Amount

Note Payable to Charles Hirsch	\$600,000.00
Due to Dofra Corp. (Affiliate)	\$250,000.00

Bank of New York Bankers Acceptances:

<i>Ba #'s</i>	<i>B/A \$ Amount</i>	<i>B/A Maturity</i>
060515-23120-00	\$325,000.00	09/12/06
060615-23162-00	\$225,000.00	10/13/06
060720-23216-00	\$240,000.00	11/17/06
060808-23242-00	\$100,000.00	12/06/06

Schedule 1.1(c)

Permitted Liens

The attached liens of The Bank of New York provided, that all of such liens are to be terminated at closing as agreed upon and covenanted by The Bank of New York in the attached Letter Agreement and Indemnification Letter.

**Commerce Bank, N.A.  
45 Melville Park Road  
Melville, New York 11747**

August 24, 2006

The Bank of New York  
1401 Franklin Avenue  
Garden City, New York 11530

Attention: Eileen O'Brien  
Assistant Vice President

Re: Charles Leonard, Inc. and Charles Leonard National, Inc.

Gentlemen/Ladies:

We are informed that, from time to time, you have accepted drafts (hereinafter "Acceptances") drawn by Charles Leonard Inc. and Charles Leonard National, Inc. (hereinafter collectively called the "Clients"). We understand that the attached Schedule "A" (which is made a part hereof by reference) sets forth a correct description of all current outstanding Acceptances, with the indicated unpaid amounts of such Acceptances along with their respective maturity dates.

We have entered into or are about to enter into a financing arrangement with the Clients. In consideration of your terminating your security interest in the property of the Clients as provided below, we agree, (a) to pay to you on demand the amount of each Acceptance not otherwise paid or reimbursed to you at maturity and (b) also to indemnify you, and hold you harmless from and against, any and all claims, liabilities, losses, damages, costs and expenses incurred or sustained by you in connection with or relating to the Acceptances (or any of them), including, without limitation, commissions, interest and other charges, reasonable fees and expenses of counsel, and any and all claims, liabilities, losses, damages, costs and expenses incurred or sustained by you which the Clients have (or any of the Clients has) agreed to pay to you, or for which the Clients have (or any of the Clients has) indemnified you, pursuant to the terms of the documentation executed by the Clients in connection with the Acceptances. Our liability under clause (a) of the preceding sentence shall not exceed the total amount of Acceptances set forth on Schedule "A". Notwithstanding anything to the contrary herein, all of the foregoing agreements are subject to the terms and conditions of that certain letter agreement, dated the date hereof, from The Bank of New York and addressed to Commerce Bank, N.A., a copy of which is annexed hereto and made a part hereof.

We shall pay the amount of any payment required to be made by us to you hereunder by wire transfer of immediately available funds to The Bank of New York, 6023 Airport Road, Oriskany, New York 13424, ABA No. 021000018, G/L No. 113115, Attention: Doreen Bristol, Reference: Acceptance No. \_\_\_\_\_.

Any amount which shall not be paid by us when due shall bear interest, payable on demand, from the date such amount was due until the date such amount is paid in full, at a rate per annum equal to the Federal Funds Rate plus one per cent (1%). "Federal Funds Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or if such day is not a business day, for the next preceding

business day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a business day, the average of quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank.

The Clients hereby authorize you to accept and honor any and all instructions which we may deliver to you with regard to the Acceptances listed in Schedule "A".

In consideration of our undertaking hereunder, by your signature hereto, you hereby terminate any and all liens or other security interests which may have been granted to you by the Clients on or in any of their assets, and you further authorize us to file Uniform Commercial Code termination statements in respect of each Uniform Commercial Code financing statement which names any of the Clients as debtor and you as secured party.

Our undertaking under clause (a) of the second sentence of the second paragraph hereof shall be automatically reduced by the amount of each payment made under said clause (a). Our obligations under said clause (a) shall absolutely expire and be wholly null and void on March 5, 2007, or an earlier date, if all amounts payable under said clause (a) have otherwise been paid or reimbursed or credited to you.

We waive any right to interpose any defense, counterclaim or offset of any nature or description which we may have or which may exist between and among us, you and/or the Clients (or any of them), except for any defense, counterclaim or offset which is specifically related to the applicable Acceptance(s).

We shall pay all out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by you in connection with the enforcement or protection of your rights hereunder.

This letter agreement shall inure to the benefit of and shall be binding upon us and you, and our and your respective successors and assigns, provided that we may not assign our rights or obligations hereunder without your prior written consent.

All communications hereunder shall be given in writing at the address of the recipient specified above, or by facsimile transmittal to the facsimile number set forth below the signature of the recipient hereto, and shall be effective when received.

This letter agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

This letter agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

YOU AND WE HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF, BASED UPON, OR IN ANY WAY CONNECTED TO, THIS LETTER AGREEMENT.

You and we hereby waive any right to assert or make any claim against the other for (or to sue the other upon any claim for) any special, indirect, incidental, punitive or consequential damages in respect of any breach or wrongful conduct (whether the claim is based on contract, tort or duty imposed by law) in connection with, arising out of or in any way related to this letter agreement or the transactions contemplated hereby, or any act, omission or event in connection therewith.

This letter agreement embodies the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings related to the subject matter hereof.

Very truly yours,

**Commerce Bank, N.A.**

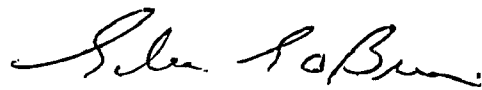
By: \_\_\_\_\_

Salvatore Trifiletti  
Senior Vice President  
Facsimile Number: (631) 962-2834

**READ AND AGREED TO:**

**The Bank of New York**

By: \_\_\_\_\_



Eileen O'Brien  
Assistant Vice President  
Facsimile Number: (516) 294-2525

Date: August 24, 2006

This letter agreement embodies the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings related to the subject matter hereof.

Very truly yours,

**Commerce Bank, N.A.**

By:

  
\_\_\_\_\_

Salvatore Trifiletti  
Senior Vice President  
Facsimile Number: (631) 962-2834

**READ AND AGREED TO:**

**The Bank of New York**

By:

\_\_\_\_\_  
Eileen O'Brien  
Assistant Vice President  
Facsimile Number: (516) 294-2525

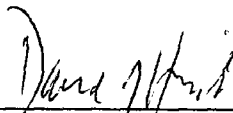
Date: August 24, 2006

## CONSENT AND AGREEMENT

The undersigned, referred to as the Clients in the attached letter agreement, hereby consent to the terms thereof, and, in consideration of the execution and delivery thereof by Commerce Bank, N.A. ("Commerce"), hereby agree to indemnify and save Commerce harmless from and against any loss, claim or liability which it may incur or sustain in connection therewith and to pay it on demand any amount paid by it pursuant to the provisions of said letter agreement. Any such amounts so paid by Commerce may be charged to the account of the undersigned (or any of them) maintained with Commerce without notice to the undersigned (or any of them). The obligations of Commerce to make payments pursuant to said letter agreement shall be deemed exclusive by it notwithstanding any judgment which the undersigned (or any of them) may express to the contrary, and all such payments shall be conclusive upon the undersigned insofar as it is concerned, but shall not prejudice any rights of the undersigned (or any of them) against The Bank of New York if the undersigned question (or any of the undersigned questions) the propriety of any demands made by them or it on Commerce.

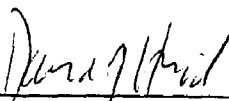
The undersigned hereby authorize The Bank of New York to endorse without recourse and deliver solely to Commerce any and all documents, instruments and goods received by it in connection with any of the Acceptances referred to in the attached letter agreement. The undersigned hereby agree that The Bank of New York may act on the instructions of Commerce without the necessity of obtaining that of the undersigned (or any of them) as well. The undersigned hereby grant to Commerce a security interest in said documents, instruments and goods and the proceeds thereof as collateral security for any and all indebtedness, liability or obligation now or hereafter owing to Commerce.

**Charles Leonard, Inc.**

By:   
\_\_\_\_\_  
David Hirsch  
President

Date: August 24, 2006

**Charles Leonard National, Inc.**

By:   
\_\_\_\_\_  
David Hirsch  
President

Date: August 24, 2006

"SCHEDULE A"

CHARLES LEONARD INC.  
Bankers Acceptances

<i>B/A Number</i>	<i>B/A \$ Amount</i>	<i>B/A Maturity</i>
060515-23120-00	\$325,000.00	09/12/06
060615-23162-00	\$225,000.00	10/13/06
060720-23216-00	\$240,000.00	11/17/06
060808-23242-00	\$100,000.00	12/06/06

CHARLES LEONARD NATIONAL INC.  
Bankers Acceptances

<i>B/A Number</i>	<i>B/A \$ Amount</i>	<i>B/A Maturity</i>
060322-23041-00	\$250,000.00	09/18/06
060425-23097-00	\$175,000.00	10/16/06
060504-23108-00	\$235,000.00	11/01/06
060605-23145-00	\$275,000.00	12/04/06
060705-23183-00	\$290,000.00	01/02/07
060809-23243-00	\$325,000.00	02/05/07



August 24, 2006

Commerce Bank, N.A.  
Attn: Candice Singer  
45 Melville Park Road  
Melville, NY 11747

Gentlemen/Ladies:

This letter confirms that the accounts listed below are no longer serving as collateral for obligations of Charles Leonard, Inc. to The Bank of New York in respect of credit facilities previously provided by The Bank of New York to Charles Leonard, Inc. The Bank of New York has been indemnified by Commerce Bank, N.A. in respect of any of such obligations which may be outstanding as of the date hereof (the "Indemnification").

Full account names and information are as follows:

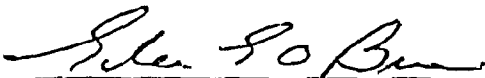
			<i>Amount as of 6/30/06</i>
<b>Dofra Corp.</b>			
Account Number:	690-0581570	Checking	\$ 26,818.85
	697-5349614	Business Savings	\$ 5,150.50
	19640000484	Mutual Fund	\$286,861.29
<b>Chalen Corp.</b>			
Account Number:	690-4052599	Checking	\$ 24,891.00
	19640000490	Mutual Fund	\$373,655.99
<b>Charles Hirsch</b>			
Account Number:	935207	New York St Dorm Auth Revs	\$105,371.00
		Onondaga City NY	\$210,840.00
		Puerto Rico Pub Bldgs Auth Rev Gtd	\$143,420.00
		BNY Hamilton Inter NY Tax Exempt Fund	\$ 26,596.91

The Bank of New York hereby represents and warrants (i) to make the securities and funds on deposit in the Dofra Corp. accounts specified above (the "Dofra Collateral"), and the Chalen Corp. accounts specified above (the "Chalen Collateral"), available to Dofra Corp. and Chalen Corp., respectively, no later than August 30, 2006, (ii) to instruct the Depository Trust Company ("DTC") to deliver, via book transfer to Commerce Bank, N.A.'s DTC No. 226, for Account No. C68-000094-111, all of the securities on deposit in the Charles Hirsch account (the "Charles Hirsch Collateral"), except for the BNY Hamilton Inter NY Tax Exempt Fund securities, no later than August 30, 2006, and (iii) to act in good faith to deliver the BNY Hamilton Inter NY Tax Exempt Fund securities to Commerce Bank,

N.A. as soon as reasonably possible after the date hereof. The Bank of New York acknowledges that Commerce Bank, N.A. is relying on this representation. The Bank of New York agrees that, in the event it fails to deliver or make available the Dofra Collateral, the Chalen Collateral and the Charles Hirsch Collateral, as applicable and as herein agreed, the Indemnification shall terminate and be of no further effect until such time as all of such collateral is delivered or made available as herein agreed.

Sincerely,

THE BANK OF NEW YORK

By: 

Eileen O'Brien  
Assistant Vice President





941001

2004 Nov 08 AM10:56

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (Front and back) CAREFULLY

**A. NAME & PHONE OF CONTACT AT FIRM (optional)**

**B. SEND ACKNOWLEDGMENT TO:** (Name and Address)

UCC Record Services  
 1707 Allen Parkway  
 Manhattan, NY 10019, USA  
 nyreg@nyc.ubcc.com

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1A. IS THIS FINANCING STATEMENT FILE # 200411085936449 (Form 1) 10-2004-00

1B. THE FINANCING STATEMENT AMENDMENT IS TO BE FILED (See instructions for amendments) in the **REAL ESTATE RECORDS**

2.  INFORMATION: Description of the Financing Statement specified above is incorrect and request to modify historical of the Secured Party concerning only Registration Statement.

3.  CORRECTION: Description of the Financing Statement specified above is incorrect to modify historical of the Secured Party concerning the Correction Statement is authorized by the original party provided by top/bottom line.

4.  ASSIGNMENT (part or whole): Description of assignment to item 7a or 7b and identity of assignee(s) shall be added also (see notes of section 4 item 6).

5. AMENDMENT (PARTY INFORMATION): This amendment affects  Debtor as  Secured Party of record. Check only one of these two boxes. Also check one of the following three boxes and provide appropriate information in item 6 (Section 2).

Debtor name party remains. Also correct name to item 6a or 6b and any other item in item 6 (Section 2) if it is not the original or correct name.  DEBTS name: (See notes)  Add name: Complete item 7a or 7b and item 6a or 6b.  Add name: Complete item 7a or 7b and item 6a or 6b.  Add name: Complete item 7a or 7b and item 6a or 6b.

6. CREDIT RECORD INFORMATION

6A. ORGANIZATION NAME: (Shortest Name), Inc.

6B. INDIVIDUAL'S (LAST NAME)	FIRST NAME	MIDDLE NAME	SUFFIX
------------------------------	------------	-------------	--------

7. CHANGED (NEW) OR ADDED INFORMATION

7A. EDUCATION: UCC: (Shortest Name), Inc.

6C. INDIVIDUAL'S (FIRST NAME)	FIRST NAME	MIDDLE NAME	SUFFIX
-------------------------------	------------	-------------	--------

7B. MAILING ADDRESS (43 Summary City)	CITY (Municipality)	STATE (NY)	ZIP (5 DIGIT)	COUNTRY (USA)
---------------------------------------	---------------------	------------	---------------	---------------

7C. SECURED PARTY (11-1700715)	7D. TYPE OF ORGANIZATION (Corporation)	7E. JURISDICTION OF ORGANIZATION (New York)	7F. ORGANIZATION IS S, J, or M (None)
--------------------------------	--	---	---------------------------------------

8. AMENDMENT (COLLATERAL CHANGE): Check only one box. Check one or  interest or  interest, or  interest, or  interest, or  interest, or  interest.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (Name of assignor, if this is an Assignment, if this is an Amendment authorized by a Debtor which was signatory of both the underlying Security Agreement, or if this is a Correction authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment)

6A. ORGANIZATION'S NAME: THE NAME OF NEW YORK

6B. INDIVIDUAL'S (LAST NAME)	FIRST NAME	MIDDLE NAME	SUFFIX
------------------------------	------------	-------------	--------

10. OPTIONAL FILE # (FINANCING DATA NY-411085936449)

FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT AMENDMENT (FORM UCC3) (REV 05/2003)

Filing Number-200411085936449

UCC FINANCING STATEMENT

726280

2001 NOV -5 PM 4:15

FOLLOW THE INSTRUCTIONS CAREFULLY.

1. NAME OF PARTY OR PARTY AT RISK (Last name)

2. NAME OF PERSON RESPONSIBLE TO FILER (Last name)

THE ABOVE SPACE IS FOR FILER OFFICE USE ONLY

3. DEBTOR'S EXACT FULL LEGAL NAME

Charles Leonard National, Inc.

4. ADDRESS

79-11 Cooper Avenue

Glendale

NY

11385

USA

5. PHONE NUMBER

11-3297606

6. TYPE OF ORGANIZATION

Corporation

7. JURISDICTION OF ORGANIZATION

New York

8. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME

9. ADDRESS

10. TYPE OF ORGANIZATION

11. SECURED PARTY

The Bank of New York

12. ADDRESS

90 Crystal Run Road

Midletown

NY

10940

USA

See attached Schedule A-to Security Agreement.

D69905

1. FILER'S IDENTIFICATION NUMBER (FID) 2. DEBTOR'S IDENTIFICATION NUMBER (DIN) 3. DEBTOR'S ACCOUNT NUMBER (DAN) 4. DEBTOR'S ACCOUNT TYPE (DAT) 5. DEBTOR'S ACCOUNT NUMBER (DAN) 6. DEBTOR'S ACCOUNT TYPE (DAT)

BK01-9900360037 CHARLES LEONARD NATIONAL INC

1. NAME OF FILER - NATIONAL UCC FINANCING STATEMENT FILER (USE) ONLY (FID) 2. FILING DATE

ITEM 06

FILING NUMBER: 215063 FILING DATE: 11/05/2001

SCHEDULE A  
TO  
SECURITY AGREEMENT  
EXECUTED BY

Charles Leonard National, Inc.

12-280

2001 NOV -5 PM 4:15

Property specifically included as "Collateral" for purposes of the within Security Agreement:  
All of the Debtor's right, title and interest in and to the following, in each case whether now or hereafter existing or  
now owned or hereafter acquired and wherever located, and all proceeds and Proceeds thereof, all accessories thereto,  
and all substitutions therefor:

- i. All accounts (as defined in the Uniform Commercial Code), including, without limitation, all accounts  
receivable, contract rights, instruments, documents, check/ paper and other rights of the Debtor to payment  
for goods sold or leased or for services rendered, whether earned by performance or otherwise;
- ii. All inventory (as defined in the Uniform Commercial Code), including, without limitation, all goods,  
merchandise and other personal property, which are held for sale or lease or to be furnished under any  
contract or which are finished goods, raw materials, work in process or materials used or consumed in the  
Debtor's business, or in connection with the manufacture, packing, shipping, advertising or finishing of  
such goods;
- iii. All equipment (as defined in the Uniform Commercial Code), including, without limitation, all machinery,  
apparatuses, furniture, furnishings, appliances, fixtures, vehicles, parts, accessories and all other similar  
goods used in or in connection with the operation of the Debtor's business of every type and description;  
and
- iv. All general intangibles (as defined in the Uniform Commercial Code), including, without limitation, all  
rights, interests, choses in action, causes of action, claims, and all other intangible property of every kind  
and nature; all corporate and other business records; all filings with governmental authorities; all loans,  
royalties, and other obligations receivable; all inventions, designs, trade secrets, copyrights, programs,  
software, patents and other computer materials; all licenses, franchises, contracts, leases, credit lines and  
correspondence; all tax returns and tax refund claims; all rights under leases, subleases, licenses,  
concessions, franchise agreements and other contracts and contract rights; all patents, patent applications,  
trademark applications, trade secrets, goodwill, copyrights, and registrations; all rights of indemnification;  
all proceeds of insurance or where the Debtor is beneficiary; all notes or bills, promissory notes, security  
interests and other security held by or granted to the Debtor; and all other intangible property, whether or  
not similar to the foregoing.

As used herein the term Proceeds shall have the meaning set forth in Article 9 of the Uniform Commercial Code  
and, to the extent not otherwise included, shall include, but not be limited to, (i) any and all proceeds of any  
insurance, causes and rights of action or settlements thereof, borrowed amount or property, judicial and arbitration  
judgments and awards, payable to the Debtor from or in respect of any person from time to time; (ii) any and all  
payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection with any  
requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the foregoing collateral by any  
governmental authority; (iii) all claims of the Debtor for losses or damages arising out of or relating to or for any  
breach of any agreements, contracts, representations or warranties or any default whether of set with respect to or  
under any of the foregoing collateral (without limiting any direct or independent rights of the Bank with respect to  
the collateral); and (iv) any and all other amounts from time to time paid or payable under or in connection with the  
foregoing collateral).

941058

2004 Nov 08 AM 11:15

UCC FINANCING STATEMENT AMENDMENT

FOLLOW DIRECTIONS (front and back) CAREFULLY

**A. NAME AND ADDRESS OF SECURED PARTY (if any)**

**B. SEND ACKNOWLEDGMENT TO:** (Name and Address)

UCC FORM SERVICES  
5757 ALBIO PARKWAY  
MINNEAPOLIS, MN 55412, USA  
FYSM@ucc-form.com

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**1. INITIAL PUBLIC NOTICE STATEMENT FILED IN PUBLIC RECORDS (REMOVABLE)**

The provisions of (A) (UCC) and (B) (UCC) are to be filed for notice purposes in the PUBLIC RECORDS SECTION.

**2. TERMINATION:** Withdrawal of the Financing Statement identified above is requested with respect to every instance of the Secured Party satisfying the Termination Statement.

**3. CONTINUATION:** Withdrawal of the Financing Statement identified above with respect to certain instances of the Secured Party following the Continuation Statement is requested for the additional period provided by applicable law.

**4. ASSIGNMENT:** (See or provide) Other name of assignor in this Part or the last address of assignor in this Part and assignor name of assignee in this Part.

**5. AMENDMENT (PARTY INFORMATION):** This Amendment affects  Debtor or  Secured Party of record. Check only one of these two boxes.

Has each one of the following been done? (Add specific amendments in this Part or Part 7.)

Debtor's name changed completely. (See instructions on back for how to do this.)  Debtor's name changed partially. (See instructions on back for how to do this.)  Debtor's name changed partially. (See instructions on back for how to do this.)  Debtor's name changed partially. (See instructions on back for how to do this.)  Debtor's name changed partially. (See instructions on back for how to do this.)

**6. CREDITORS' COPY INFORMATION:**

**6A. ORGANIZATION'S NAME:** CHARLES LEONARD NATIONAL, INC.

6B. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
----------------------------	------------	-------------	--------

**7. CHANGED (NEW) OR ADDED INFORMATION:**

**7A. ORGANIZATION'S NAME:** CHARLES LEONARD NATIONAL, INC.

6B. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
----------------------------	------------	-------------	--------

7C. MAILING ADDRESS (44) (ADDRESS CHANGE)	CITY (ADDRESS CHANGE)	STATE	POSTAL CODE	COUNTRY
		NY	11750	USA

7D. LEGAL ENTITY TYPE (1-300700)	7E. TYPE OF ORGANIZATION (1-300700)	7F. TYPE OF ORGANIZATION (1-300700)	7G. TYPE OF ORGANIZATION (1-300700)	7H. TYPE OF ORGANIZATION (1-300700)
	Corporation			

**8. AMENDMENT (COLLATERAL CHANGE):** Check any one box.

Describe collateral  changed or  added, or  removed, or  changed, or  removed, or  changed.

**9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT:** (Name of assignor, if this is an Assignment; if this is an Amendment authorized by a third party, name of that party; if this is a Termination authorized by a party, check this box  and name of party authorizing the amendment.)

**9A. ORGANIZATION'S NAME:** THE BANK OF NEW YORK MELLON BANK NATIONAL ASSOCIATION

9B. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
----------------------------	------------	-------------	--------

10. NATIONAL FILE NUMBER (DATA BY DATE OF FILING)

FRING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT AMENDMENT FORM (UCC) (REV. 05/2001)

Filing Number-200411085937011



746231

2006 May 11 PM02:25

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

UCC Direct Services  
3737 Alpha Parkway  
Houston, TX 77018, USA  
uycs@ucredirect.com

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1A. INITIAL FINANCING STATEMENT FILED: 214618 Filoffice: 614NOV-11

1B. THIS AMENDMENT STATEMENT AMENDMENT IS TO BE FILED FOR RECORD (or recorded) IN THE REAL ESTATE RECORDS

2. TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. CONTINUATION: Continuation of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is authorized for the additional period provided by applicable law.

4. ASSIGNMENT (all or part): Give name of assignee in Item 7a or 7b and address of assignee in Item 7c and also give name of assignor in Item 5.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects  Debtor  Assignor  Secured Party of record. Check only one of the two last boxes. Also check one of the following three boxes and provide appropriate information in Items 7 and 8.

Debtor name and/or address: Give correct record name in Item 7a or 7b and give new name  Debtor name: Give correct name  Assignor name: Give correct name  Add name: Complete Item 7a or 7b, and also include the correct name in Item 8.

6. CURRENT RECORD INFORMATION

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX
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7. CHANGED (NEW) OR ADDED INFORMATION

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX
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7c. NEW AND ADDRESS

CITY	STATE	POSTAL CODE	COUNTRY
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7d. JURISDICTION OF ORGANIZATION

7e. ORGANIZATION IS A  Debtor  Assignor  Secured Party  None

8. AMENDMENT (COLLATERAL CHANGE): Check only one box. Describe collateral  deleted or  reduced, or give entire  revised collateral description, or describe additional  collateral.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignee if this is an Assignment; if this is an Amendment authorized by a Debtor then also include or edit the authorizing Debtor, or if this is a Termination authorized by a Debtor, check the  and enter name of DEBTOR authorizing this Amendment).

9a. ORGANIZATION'S NAME THE BANK OF NEW YORK FEDERAL LOAN SERVICE OPERATIONS

OR

9b. INDIVIDUAL'S LAST NAME

FIRST NAME	MIDDLE NAME	SUFFIX
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10. OPTIONAL FILER IDENTIFIER DATA NY 4-3688741-8 9188

FILING OFFICE COPY - NATIONAL UCC FINANCING STATEMENT AMENDMENT (FORM UCC3) (REV. 05/22/02)

Filing Number-200605115456540

This FINANCING STATEMENT is presented to a Filing Office for filing pursuant to the Uniform Commercial Code.

No. of Additional Sheets Presented:

3.  The Debtor is a transmitting utility. TOL SK

1. Debtor(s) (Last Name First) and Address(es):  
DOFRA CORP.  
79-11 Cooper Avenue  
Glendale, New York  
11385

2. Secured Party(ies) Name(s) and Address(es)  
THE BANK OF NEW YORK  
280 Broadway  
Newburgh, N.Y. 12550

APR 19 066267  
4-1-92 066267

5. This Financing Statement covers the following type(s) (or items) of property:

All equipment, fixtures and personalty (now owned or hereafter acquired) which are now used in connection with premises:  
79-11 Cooper Avenue, Glendale, N.Y.

Products of the Collateral are also covered.

8. Describe Real Estate Here:  This statement is to be indexed in the Real Estate Records:

79-11 Cooper Avenue

Glendale

County

Queens

Section

~~3802~~ 20

Block

3802

Lot

3&7

9. Name of a Record Owner

DOFRA CORP.

10. This statement is filed without the debtor's signature to perfect a security interest in collateral (check appropriate box)

- under a security agreement signed by debtor authorizing secured party to file this statement, or
- which is proceeds of the original collateral described above in which a security interest was perfected, or
- acquired after a change of name, identity or corporate structure of the debtor, or  as to which the filing has lapsed, or already subject to a security interest in another jurisdiction:
  - when the collateral was brought into the state, or  when the debtor's location was changed to this state.

By DOFRA CORP.  
*[Signature]*  
Signature(s) of Debtor(s)

By THE BANK OF NEW YORK  
*[Signature]*  
Signature(s) of Secured Party(ies)

(1) Filing Office: Copy-Numerical  
15/82 STANDARD FORM - FORM UCC-1 - Approved by Secretary of State of New York

This STATEMENT is presented to a filing officer for filing pursuant to the Uniform Commercial Code.

No. of additional Sheets Presented:

3.  The Debtor is a transmitting utility.

1. Debtor(s) (Last Name First) and Address(es):

2. Secured Party(ies) Name(s) and Address(es):

4. For Filing Officer: Date, Time, No. Filing Office

Dofra Corp  
79-11 Cooper Avenue  
Glendale, NY 11385

The Bank of New York  
Commercial Loan Servicing  
280 Broadway

523496

5. This statement refers to original Financing Statement No. 066267 filed (date) 4/1/92 with New York State

- A. Continuation The original Financing Statement bearing the above file number is still effective.
- B. Termination The Secured Party of record no longer claims a security interest under the Financing Statement bearing the above file number.
- C. Release From the Collateral described in the Financing Statement bearing the above file number, the Secured Party of record releases the following:
- D. Assignment The Secured Party of record has assigned the Secured Party's rights in the property described below under the Financing Statement bearing the above file number to the Assignee whose name and address are shown below:
- E. Amendment The Financing Statement bearing the above file number is amended as set forth below. (Signature of Debtor and Secured Party is Required)

70-11 Cooper avenue Glendale

~~XXX~~ This statement is to be indexed in the Real Estate Records Queens

Section 20 Block 3802 Lot 3 & 7

Please Return to:

Intercounty Clearance Corporation  
111 Washington Avenue  
Albany, NY 12210



5910

522128

OBGF0128073383

ITEM# 2634

THE BANK OF NEW YORK

By \_\_\_\_\_ Signature(s) of Debtor(s) (only on amendment)

By Catherine Mitchell Signature(s) of Secured Party(ies)

(1) FILING OFFICER COPY-NUMERICAL

(5/82)

STANDARD FORM - FORM UCC-3 - Approved by the Secretary of State of New York, Pennsylvania & Texas

**FILING NUMBER: 025854 FILING DATE: 02/06/1997**

TRADEMARK  
REEL: 003390 FRAME: 0810

554517

2002 MAR 11 PM 4:20

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Intercounty Clearance Corp.  
111 Washington Avenue  
Albany, NY 12210

E0240101 30294 NY, \*CENTRAL\*  
0128073383///2391210/34//84200

18

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE # 066267 04/01/1992

1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS.

2.  TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of the Secured Party authorizing this Termination Statement.

3.  CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4.  ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5. AMENDMENT (PARTY INFORMATION): This amendment affects  Debtor or  Secured Party of record. Check only one of these two boxes.

Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.  
 CHANGE name and/or address: Give current record name in item 6a or 6b; also give new name if name changed in item 7a or 7b and/or new address if address changed in item 7c.  
 DELETE name: Give record name to be deleted in item 6a or 6b.  
 ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7d-7g if applicable.

6. CURRENT RECORD INFORMATION:

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
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7d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION	7g. ORGANIZATIONAL ID #, if any
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NONE

8. AMENDMENT (COLLATERAL CHANGE): check only one box.

Describe collateral  deleted or  added, or give entire  restated collateral description, or describe collateral  assigned.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME  
THE BANK OF NEW YORK

OR

9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
----------------------------	------------	-------------	--------

10. OPTIONAL FILER REFERENCE DATA  
DEBTOR: DOFRA CORP

FILING NUMBER: 055948 FILING DATE: 03/11/2002

TRADEMARK REEL: 003390 FRAME: 0811

Schedule 5.1

Corporate Organization and Validity

Charles Leonard Inc.

New York  
Connecticut

Schedule 5.2

Places of Business

Charles Leonard Inc.

145 Kennedy Drive  
Hauppauge, NY 11788

National Screw Co.  
(Division of Charles Leonard Inc.)

259 Commerce Street  
East Haven, CT 06512

Central Cumberland Corp.  
(Public Warehousing Facility)

3287 Franklin Limestone Road  
Antioch, TN 37013

Distribution Systems & Services  
(Public Warehousing Facility)

1919 S. Cucamonga  
Ontario, CA 91761

Schedule 5.3

Pending Litigation

None.

Schedule 5.8

Federal Tax Identification Number

11-1621188



Subsidiaries and Affiliates

National Screw Co. (Division of Charles Leonard Inc.)  
259 Commerce Street  
East Haven, CT 06512

Affiliates

Dofra Corp. Common Ownership  
145 Kennedy Drive  
Hauppauge, NY 11788

Chalen Corp. Common Ownership  
145 Kennedy Drive  
Hauppauge, NY 11788

Charles Leonard National, Inc. Common Ownership  
145 Kennedy Drive  
Hauppauge, NY 11788

Charles Leonard Western, Inc. Charles Hirsch – Majority Stockholder  
235 West 140<sup>th</sup> Street  
Los Angeles, CA 90061

Schedule 5.11(a)

Permitted Investments

None.

Leases

Lease agreement between Chalen Corp. (landlord) and Charles Leonard, Inc. (tenant) covering premises at 145 Kennedy Drive.

Copiers                   CIT Technology Financial Services, Inc.  
One Deerwood  
10201 Centurion Pkwy N.  
Suite 100  
Jacksonville, FL 32256

Phone Equip            Avaya Financial Services  
PO Box 463  
Livingston, NJ 07039

Forklift                Raymond Leasing Corporation  
PO Box 203905  
Houston, TX 77216

Forklift                Delage Landen Financial Services  
1111 Old Eagle School Road  
Wayne, PA 19087

Employee Benefit Plans

Oxford Health Plans

Empire Blue Cross Blue Shield

Health Insurance Plan of Greater New York

Charles Leonard Inc. 401K Plan

The Hartford – life and disability policies

Schedule 5.14(a)

Borrower Names Within Past Five Years

National Screw Co.

Borrower's Intellectual Property Rights

Creative Arts  
Cyber Pens

Clear Advantage  
Prestong

Necessary Intellectual Property Rights

None.

Schedule 5.15

Other Associations

None.



Schedule 5.16

Environmental Matters

None.

Schedule 5.18

Capital Stock

100 shares authorized; 49 shares issued and outstanding.

Charles Hirsch	25 shares	51.00%
David Hirsch	24 shares	49.00%

Schedule 5.20

Jurisdictions for Perfection and Priority

State of New York  
County of Suffolk, NY  
East Haven, CT  
Antioch, TN  
Ontario, CA

Schedule 5.21

Commercial Tort Claims

None.

Schedule 5.22

Letter of Credit Rights

None.

Schedule 5.23

Deposit Accounts

The Bank of New York  
99-00 Metropolitan Avenue  
Forest Hills, NY 11375

Operating Account	690-4052-602
Payroll Account	690-4052-661