

TRADEMARK ASSIGNMENT COVER SHEET

Electronic Version v1.1
Stylesheet Version v1.2

ETAS ID: TM526259

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
THREE DOTS, LLC		07/31/2015	Limited Liability Company: CALIFORNIA
RECEIVING PARTY DATA			
Name:	MBMJ CAPITAL LLC		
Doing Business As:	Continental Business Credit		
Street Address:	15303 VENTURA BLVD		
Internal Address:	Suite 1000		
City:	SHERMAN OAKS		
State/Country:	CALIFORNIA		
Postal Code:	91403-6620		
Entity Type:	Limited Liability Company: DELAWARE		
PROPERTY NUMBERS Total: 8			
Property Type	Number	Word Mark	
Serial Number:	86031271	THREE DOTS MEN	
Serial Number:	86031268		
Serial Number:	86031264	THREE LITTLE DOTS	
Serial Number:	86031258	THREE LITTLE DOTS	
Serial Number:	76498469	THREE DOTS	
Serial Number:	85356100		
Serial Number:	77283989	THREE DOTS RED	
Serial Number:	86383133	THREE DOTS	
CORRESPONDENCE DATA			
Fax Number:	8183823433		
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>			
Phone:	8183823434		
Email:	sroham@laklawyers.com		
Correspondent Name:	Sonia Roham		
Address Line 1:	15303 VENTURA BLVD		
Address Line 2:	Suite 1650		

OP \$215.00 86031271

Address Line 4:

SHERMAN OAKS, CALIFORNIA 91403-6620

NAME OF SUBMITTER:

Sonia S. Roham

SIGNATURE:

/Sonia S. Roham/

DATE SIGNED:

06/04/2019

Total Attachments: 18

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FACTORING AGREEMENT

This Factoring Agreement (this "Agreement") is dated as of July 31, 2015 and entered into by and between MBMJ CAPITAL LLC, a Delaware limited liability company, doing business as Continental Business Credit ("Continental"), with offices at 15503 Ventura Boulevard, Suite 310, Encino, California 91436-3103 and THREE DOTS, LLC, a California limited liability company ("Client"), with its chief executive office at 7340 Lampson Avenue, Garden Grove, CA 92841.

WHEREAS, Client desires that Continental act as its sole factor and purchase Client's Accounts; and

WHEREAS, Client desires to secure its Obligations by granting to Continental a security interest in and lien upon certain of Client's property;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Client and Continental agree as follows:

SECTION 1. DEFINITIONS

1.1 Certain Defined Terms. In addition to the definitions in the first paragraph of this Agreement, the following terms used in this Agreement shall have the following meanings:

"Account Debtor" means any Person who is and/or may become obligated to Client under or on account of any Accounts.

"Accounts" means, all "accounts" (as defined in the UCC) now owned or hereafter created or acquired by Client including all accounts receivable, contract rights and general intangibles (other than the trade names and trademarks) relating thereto, notes, drafts and other forms of obligations owed to or owned by Client arising or resulting from the sale of goods or the rendering of services, all proceeds thereof, all guaranties and security therefor, and all goods and rights represented thereby or arising therefrom including the right of stoppage in transit, replevin and reclamation.

"Affiliate" means any Person (other than Continental): (a) directly or indirectly controlling, controlled by, or under common control with, Client; (b) directly or indirectly owning or holding [REDACTED] or more of any equity interest in Client; or (c) [REDACTED] or more of whose voting stock or other equity interest is directly or indirectly owned or held by Client. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with") means the power, directly or indirectly, to determine the management and policies of a Person, whether through the ownership of voting securities or by contract or otherwise.

"Agreement" means this Factoring Agreement as it may be amended, supplemented, or modified from time to time.

"Approved Account" means an Account with respect to which Continental has issued a written approval of the credit standing of the Account Debtor and the amount and terms of the sale of the goods or performance of services, and, with respect to which, Continental has not subsequently withdrawn such approval at any time prior to the actual delivery of such goods or the performance of such services.

"Avoidance Claim" means the assertion, complaint, judgment or otherwise against Continental, that any payment made with respect to any Account received by or for the benefit of Continental, whether the amount related thereto was paid by the Account Debtor, the Client, on behalf of the Account Debtor or the Client, or for the benefit of either, or any lien granted to Continental, is avoidable against or recoverable from Continental, under the Bankruptcy Code, any other debtor relief statute, including but not limited to, preference claims, fraudulent transfer claims, or through receivership, assignment for the benefit of creditors or any equivalent recovery law, rule or regulation which relates to the adjustment of debtor and creditor relations.

"Business Day" means any day other than a Saturday, Sunday and any day which is a legal holiday under the laws of the State of California, or is a day on which banking institutions located in such state are authorized to close, and any day on which the offices of Continental are closed for business.

"Client Address" means the principal place of business of Client, the location(s) of the books and records of Client, the location of all other offices of Client and all Collateral locations, and such locations are the sole locations for the business of Client and the Collateral. Client sets forth hereunder the Client Address (es):

7340 Lampson Avenue, Garden Grove, CA 92841

"Collateral" means all of the following property of Client, whether now owned, or existing, or hereafter acquired, or arising, and regardless of wherever located: (A) Accounts; (B) Inventory; (C) Equipment; (D) General Intangibles (as defined in the UCC); (E) Documents (as defined in the UCC) or other receipts covering, evidencing or representing goods; (F) Instruments (as defined in the UCC); (G) chattel paper (as defined in the UCC); (H) all deposit accounts of Client maintained with any bank or financial institution; (I) financial assets (as defined in the UCC); (J) all cash and other monies and property of Client in the possession or under the control of Continental; (K) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the property described above or are otherwise necessary or helpful in the collection thereof or realization thereon; and (L) proceeds of all or any of the property described above.

"Collected Funds" means the amount, from time to time, held by Continental for distribution to Client pursuant to the terms of this Agreement.

"Collection Date" means (a) the date on which Continental applies payment of an Account or (b) in the event an Approved Account remains unpaid solely as a result of the financial inability of the Account Debtor, the Deems Paid Date, provided that the Account Debtor on such Approved Account has not asserted a Dispute.

"Concentration Accounts" means that portion of the Approved Accounts owing from one Account Debtor that exceeds the Concentration Limit.

"Concentration Limit" means, at the time of determination, an amount equal to [REDACTED] % of all outstanding Accounts.

"Continental Account" means Continental's bank account into which collections received through the Lockbox are deposited.

"Continental's System" means shall mean Continental's computer system, programs proprietary developed, programs purchased from third party providers, or other internet-based factoring accounting and reporting systems.

"Credit Limit" means [REDACTED].

"Credit Risk" means the risk that an Account Debtor will be financially unable to pay an Account at maturity, provided that all of the goods have been received and accepted or services rendered and accepted by the Account Debtor on or prior to the maturity date of such Account without Dispute.

"Deems Paid Date" means the date which is One Hundred Twenty (120) days after the due date for payment of an Approved Account.

"Default" means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

"Dilution" means, as of any date of determination, a percentage, based upon the experience of the immediately prior Thirty (30) consecutive days, that is the result of dividing the dollar amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to Client's Accounts during such period, by (b) the aggregate original invoice amount with respect to such Accounts during such period.

"Dilution Reserve" means, as of any date of determination, an amount sufficient to reduce the advance rate against the Purchase Price of outstanding Accounts by [REDACTED] % for each percentage point by which Dilution is in excess of [REDACTED] %.

"Dispute" means a dispute or claim, bona fide or otherwise, as to price, terms, quantity, quality, delivery of goods or any cause or defense to payment whatsoever other than financial inability to pay.

"Effective Date" means July 31, 2015.

"Environmental Laws" means any federal, state or local law, rule, regulation or order relating to pollution, waste, disposal, industrial hygiene, land use or the protection of human health, safety or welfare, plant life or animal life, natural resources, the environment or property.

"Equipment" means all "equipment" (as defined in the UCC) now owned or hereafter acquired by Client and all parts thereof and all additions and accessions thereto and replacements therefor.

"Event of Default" means any one of the events set forth in subsection 8.1.

"Facility Fee" means a closing fee in the amount of [REDACTED] which amount shall represent an unconditional payment to Continental in consideration of Continental's agreement to extend financial accommodations to Client pursuant to this Agreement and shall not reduce or be a deposit on account of the Obligations.

"Factoring Advance" or "Factoring Advances" means a prepayment or prepayments of the Purchase Price of one or more Accounts by Continental under subsection 2.1(A).

"Factoring Advances Interest Rate" means an amount equal to a rate per annum of [REDACTED] % in excess of the Prime Rate.

"Factoring Facility" means the facility pursuant to which Continental makes Factoring Advances.

"Factoring Document(s)" individually and collectively means this Agreement, the Guaranties, the Subordination Agreement, and all other instruments, documents and agreements executed by or on behalf of any Factoring Facility Party and delivered concurrently herewith or at any time hereafter to or for Continental in connection with any transactions contemplated by this Agreement, all as amended or supplemented from time to time.

"Factoring Facility Party" means Client, the Subordinating Creditor(s), the Guarantor(s) and any other Person (other than Continental) which is or becomes a party to any Factoring Document.

"Factoring Fee(s)" means an amount equal to [REDACTED] of the Total Amount of such Account. The Factoring Fee percentage will be based upon the Total Amount of all Accounts purchased by Continental.

"Financial Assets" means all "financial assets" (as defined in the UCC) now owned or hereafter acquired by Client including, but not limited to all of Client's present and future investment property, financial assets, securities, security entitlements, securities accounts, commodity accounts, and commodity contracts.

"Funding Date" means the date of each Factoring Advance.

"GAAP" means Generally Accepted Accounting Principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board that are applicable to the circumstances as of the date of determination.

"Guaranty(ies)" individually and collectively means (if more than one guarantor) the general continuing guaranty (in Continental's standard form) to be executed by the Guarantor(s).

"Guarantor(s)" means (individually and, if more than one, collectively) Sharon Lebon, Bruno Lebon, and Three Dots, Inc.

"Initial Field Examination Fee" means a non-refundable audit fee in the amount of [REDACTED] to be applied to audit fees, costs, expenses and other related charges incurred by Continental prior to the Effective Date in connection with the transactions contemplated by this Agreement.

"Intangible Assets" means the amount of the intangible assets of Client (determined in conformity with GAAP) including, without limitation, goodwill, trademarks, trade names, licenses, organizational costs, deferred amounts, covenants not to compete, unearned income and restricted funds.

"Inventory" means and includes all of Client's present and future inventory in which Client has any interest, including, but not limited to, goods held for sale or lease or to be furnished under a contract of service and all of Client's present and future raw materials, work in process, finished goods, and packing and shipping materials, wherever located, and any documents of title representing any of the above.

"IRC" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind, whether voluntary or involuntary, (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Lockbox" means the lockbox service arrangement established for the collection of the Accounts.

"Material Adverse Effect" means (a) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of Client on an individual basis or taken as a whole or (b) the impairment of the ability of Client to perform its obligations under any Factoring Document to which it is a party or of Continental to enforce or collect any of the Obligations.

"Maximum Factoring Advances Amount" means, as of any date of determination in its sole and good faith discretion, an amount equal to the lesser of (a) the Credit Limit and (b) an amount equal to (i) up to [REDACTED] of the Purchase Price of all outstanding Accounts purchased from Client by Continental from time to time pursuant to subsection 2.1(C) less (ii) the Dilution Reserve, and (iii) such reserves as Continental in its sole discretion elects to establish, including, without limitation, such additional reserves for the Concentration Accounts, Disputed, and Non-Approved, Accounts as Continental may establish from time to time.

"Minimum Monthly Factoring Advances Interest Charge" means an amount equal to [REDACTED].

"Minimum Factoring Fee" means, from the Effective Date through July 31, 2016, and for each consecutive twelve-month period thereafter, an amount equal to [REDACTED].

"Non-Approved Account" means an Account with respect to which Continental has not issued a credit approval or has subsequently withdrawn a credit approval pursuant to subsection 2.1(C)(3).

"Obligations" means all obligations, liabilities and indebtedness of every nature of Client from time to time owed to Continental under the Factoring Documents or by oral agreement or by operation of law or otherwise including, without limitation, the Factoring Advance(s), the Minimum Factoring Fee, the Minimum Monthly Factoring Advances Interest Charge, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising, including without limitation, indebtedness, liabilities and obligations arising under invoices for goods purchased by or services rendered to Client by any Person whose accounts receivable are factored or financed by Continental and indebtedness, obligations and liabilities arising under any guaranty made by Client for the benefit of Continental.

"Original Term" means the term of the Agreement commencing on the Effective Date and concluding on July 31, 2016.

"Over Advance" means, any time, the amount by which the aggregate outstanding amount of Obligations exceeds the Maximum Factoring Advances Amount.

"Permitted Dividends" means the maximum amount Client shall be entitled to disburse to the Members, Partners, or Stockholder(s) for each such fiscal year.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"Prime Rate" means the maximum rate announced as the "Prime Rate" in the Wall Street Journal. If at any time the Wall Street Journal ceases to publish a "Prime Rate", then Continental shall, in its sole discretion, select another interest rate to utilize as the "Prime Rate" for purposes of this Agreement, and Continental shall, in its sole discretion, select the method of ascertaining such interest rate.

"Projections" means forecasted consolidated and consolidating: (a) balance sheets of Client; (b) profit and loss statements of Client; (c) cash flow statements of Client; and (d) capitalization statements of Client, all prepared on a division by division and subsidiary by subsidiary basis and otherwise consistent with the historical financial statements of Client, together with appropriate supporting details and a statement of underlying assumptions.

"Purchase Price" means the gross amount of each Account less all deductions, all credits, discounts, merchandise returns, allowances at any time issued, owing or granted to, or claimed or taken by the Account Debtor, and less Continental's factoring commission under subsection 2.2, and all other amounts due Continental under or in connection with the Factoring Facility.

"Renewal Term" means each consecutive twelve-month term following the conclusion of the Original Term.

"Subordination Agreement(s)" individually and collectively (if more than one subordinating creditor) means the subordination agreement(s) in Continental's standard form to be executed by the Subordinating Creditor(s).

"Subordinating Creditor(s)" means (individually and, if more than one, collectively) Sharon Lebon, Bruno Lebon, and Three Dots, Inc.

"Tangible Net Worth" means an amount equal to: (a) the sum of the capital stock and additional paid-in capital plus retained earnings (or minus accumulated deficit) of Client on a consolidated basis calculated in conformity with GAAP, plus (b) the amount of any indebtedness owing by Client to any Person which as of any date of determination is subordinated to the Obligations of Client to Continental; less (c) the Intangible Assets of Client; less (d) all obligations owed to Client by any Affiliate; and less (e) all loans by Client to officers, stockholders or employees of Client.

"Termination Date" means the date this Agreement is terminated as specified in the notice given by either party in the manner set forth in subsection 2.5.

"Termination Fee" has the meaning set forth in subsection 2.5.

"Total Amount" means the gross face amount of an Account.

"Trade Names" means (individually and, if more than one, collectively): [Trade Names].

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of California, as amended from time to time, and any successor statute.

"Working Capital" means an amount equal to: (a) current assets of Client on a consolidated basis; less (b) current liabilities of Client on a consolidated basis; less (c) the amount of any obligations owed to Client by any Affiliate to the extent the same are classified as current assets; and less (d) the amount of all prepaid expenses and other assets to the extent the same are classified as current assets.

1.2 Accounting Terms. For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP.

1.3 Other Definitional Provisions. References to "Sections", "subsections", "Exhibits" and "Schedules" shall be to Sections, subsections, Exhibits and Schedules, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in subsection 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. In this Agreement, words importing any gender include the other genders; the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement or any other Factoring Document; references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

SECTION 2. FACTORING FACILITY AND COLLATERAL

2.1 Factoring Facility.

(A) **Factoring Facility Limits.** At any time prior to the Collection Date of the Approved Accounts, subject, however, to the terms and conditions of this Agreement and in reliance upon the

representations and warranties of Client herein set forth, and so long as no Event of Default has occurred hereunder, upon the request of Client, Continental may in its sole and good faith discretion make Factoring Advance payments to Client against the Purchase Price of the Accounts; provided, however, that Continental shall not make any Factoring Advances on any Concentration Accounts. Outstanding Factoring Advances under the Factoring Facility shall not at any time exceed the Maximum Factoring Advances Amount. Continental shall not be obligated to make a Factoring Advance to the extent such Factoring Advance would cause the aggregate amount of the Factoring Facility then outstanding to exceed the Maximum Factoring Advances Amount. If at any time an Over Advance exists, then Client shall pay to Continental, or Continental may charge Client's account with Continental, such amount as may be necessary to eliminate such Over Advance. Without affecting the Client's obligation to immediately repay the Over Advance, Client agrees to pay Continental a fee in the amount of [REDACTED] above the greater of the Factoring Advances Interest Rate or the Default Interest Rate for each day that an Over Advance exists. Amounts owing by Client under this subsection 2.1(A) may be repaid and made available again to Client at any time prior to the earlier of (i) acceleration of the Obligations pursuant to subsection 8.3 or (ii) the Termination Date.

(B) Mechanics of Requesting Factoring Advances. On any day when Client desires that Continental make a Factoring Advance, Client shall give Continental telephonic or written notice by 10:00 a.m. (Los Angeles time) of the requested Factoring Advance. Continental shall not incur any liability to Client for acting upon any telephonic or written notice that Continental believes in good faith to have been given by a duly authorized officer or representative of Client or for otherwise acting in good faith under this subsection 2.1(B). Continental will not make any Factoring Advance pursuant to any telephonic or written notice unless Continental has received all Factoring Documents required under subsections 5.1(D) and (E), as applicable, by 10:00 a.m. (Los Angeles time). A Factoring Advance pursuant to such telephonic or written notice shall become part of the obligations of Client under this Agreement. Each Factoring Advance to Client under the Factoring Facility shall be deposited in such account as Client may from time to time designate to Continental in writing.

(C) Factoring Services.

(1) Sale of Accounts. Client hereby sells, assigns and transfers to Continental and Continental hereby purchases from Client all now outstanding and hereafter created or acquired Accounts, (except accounts sold to Account Debtors on a C.O.D., credit card sales, and sales to specifically excluded Account Debtors located outside the United States), with full power to collect and otherwise deal with such Accounts as the sole and exclusive owner thereof. Continental will purchase each Account on the longest or shortest selling terms, at Continental's option. Continental will pay Client the Purchase Price of an Account on the Collection Date for such Account by crediting the account of Client on such Collection Date with the Purchase Price of such Account less the Factoring Advance against such Account, interest and any other amounts due Continental under this Agreement. Client shall, within one (1) Business Day following the shipment of goods or rendition of services to each Account Debtor, execute and deliver to Continental a confirmatory schedule of the Account(s) pertaining to such shipment of goods or the rendition of services, together with one copy of each invoice and upon request, acceptable evidence of shipment and such other documentation and proofs of delivery as Continental may require. *Each invoice and all copies thereof shall bear a notice, in form satisfactory to Continental, that it has been sold and assigned to and is payable only to Continental at such addresses as shall be designated by Continental from time to time.* Client agrees to prepare and mail all invoices, with such notice of assignment to Continental clearly stated thereof, but Continental may do so at Continental's option.

(2) Credit Approval. Client will submit for Continental's credit approval the credit requirements of each Account Debtor, a description of the normal selling terms of Client and such other information as Continental may request concerning the Account Debtors or any of them. Continental may, in Continental's sole credit judgment, establish separate credit lines for sales to Account Debtors on the normal selling terms of Client and all sales to such Account Debtors within their respective established credit lines will be Approved Accounts provided that delivery or performance is completed while the credit line remains in effect. Client may also submit for credit approval specific orders from Account Debtors and Continental may, in Continental's sole credit judgment, approve such orders on a single order approval basis. All of Continental's credit approvals, to be effective, must be in writing and received by Client. Continental will assume the Credit Risk on all Approved Accounts, so long that Client has complied with all conditions set forth in Section 2.1. Continental shall have full recourse to Client for all Accounts which are not approved or for which approval has been timely withdrawn.

(3) Amendment and Withdrawal of Credit Approval. (a) Continental reserves the right to amend or withdraw a credit line at any time by advice to Client, which advice will be promptly confirmed in writing. (b) Continental may withdraw a single order credit approval by notifying Client verbally and/or in writing at any time prior to the delivery of goods or performance of services. A single order credit approval will be automatically withdrawn: (i) in the event delivery or performance is not made on or prior to the expiration date indicated on the written single order credit confirmation form Continental sends to Client, or (ii) in the event any change is made in the payment terms or delivery date of the Account. (c) A credit approval for an Account shall be automatically withdrawn if Client fails to timely deliver the confirmatory schedule for such Account, together with the supporting documentation, as required under subsection 2.1(C)(1), and such failure impairs Continental's timely exercise of any right of reclamation or any other rights to collect from the Account Debtor payment of the Account (d) Continental shall have no liability to Client or to any Account Debtor for Continental's refusal to credit approve an Account or Continental's withdrawal of a credit approval.

(4) Application of Collections. In the event that monies shall, at any time, be owing from a single Account Debtor for both Approved Accounts and Non-Approved Accounts, all payments received will be first applied to the Approved Accounts.

(5) Discounts, Credits and Allowances. No discounts, credits or allowances will be issued granted or allowed by Client to Account Debtors and no returns will be accepted without Continental's prior written consent; provided, however, that until Continental notifies Client to the contrary, Client may presume Continental's consent. Notwithstanding the foregoing, after the occurrence of a Default or an Event of Default, Client shall not, without the prior consent of Continental, adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any Account Debtor, or allow any credit or discount thereon. Only the Account Debtor may claim discounts, credits or allowances once issued.

(6) Chargebacks and Rights with Respect to Goods. (a) With respect to any Account, upon the occurrence of a breach of any of the representations or warranties contained in subsection 4.5 or upon, or at any time following, the assertion by an Account Debtor of a Dispute, Continental may charge back such Account to Client. (b) Client shall notify Continental immediately if an Account Debtor alleges any Dispute, or returns or desires to return any goods purchased from Client. Client shall also promptly notify Continental of any other circumstances known to Client that may impair the validity or collectability of an Account. Continental may, but is not obligated to settle, compromise, adjust or litigate all such Disputes or returns upon such terms as Continental deems advisable. (c) Continental may, at Continental's option, charge back to Client all amounts owing on Non-Approved Accounts, which are not paid when due. Continental shall have the right to charge back to Client any payment which Continental receives with respect to a Non-Approved Account if such payment is subsequently disgorged by Continental, whether as a result of any proceeding in bankruptcy or otherwise. Continental shall be entitled to maintain reserves against payments received by Continental in connection with Non-Approved Accounts where Continental has determined, in its sole discretion, that there is an unacceptable risk that the Account Debtor making such payments will become subject to insolvency proceedings or the like and that such payments will be subject to an Avoidance Claim. (d) A charge back shall not constitute a resale to Client of said Accounts; however, upon payment by Client to Continental of all monies due with respect to such charged back Account, title thereto shall revert to Client, subject, however, to Continental's security interest therein. Client agrees to indemnify and save Continental harmless from and against any and all losses, costs and expenses, caused by or arising out of disputed Accounts or Avoidance Claims, including, but not limited to, pre and post judgment collection expenses and attorney's fees incurred with respect thereto.

(7) Rights of Replevin, Reclamation and Returned Goods. (a) If Continental determines that the credit standing of an Account Debtor has deteriorated after Continental has assumed the Credit Risk on an Account, Client shall, at Continental's request, exercise such rights as Client may have to reclaim or stop the goods in transit, and Client hereby grants Continental the right to take such steps in the name of Client or in Continental's name. (b) After Continental's request, Client shall hold all returned, replevied or reclaimed goods coming into the possession of Client in trust for Continental and all such goods shall be segregated and identified as held in trust for Continental's benefit and Client shall, at Continental's request, and at the expense of Continental, deliver such goods to such place or places as Continental may designate.

2.2 Factoring Fees.

(A) During the Original Term and any Renewal Term, Client will pay Continental a Factoring Fee at the time Continental purchases an Account from Client.

(B) Factoring Fees payable to Continental hereunder are based upon Client's usual and regular selling terms, which do not exceed ninety (90) days. On all Accounts on which additional terms or dating are granted, Continental's Factoring Fee shall be increased at the rate of [REDACTED] of the basic Factoring Fee for each additional thirty (30) days or fraction thereof by which its regular terms are increased. However, no such increase in terms or dating shall be granted without Continental's prior written approval.

(C) On the Effective Date of this Agreement and on each anniversary thereof during the term of this Agreement, Client shall be liable to Continental for payment of the Minimum Factoring Fee. The Minimum Factoring Fee may be charged to the account of Client in equal monthly installments as of the last Business Day of each month. In the event that the aggregate total amount of the Factoring Fees charged to Client's account for any month exceeds the monthly installment of the Minimum Factoring Fee for such month, then such monthly installment of the Minimum Factoring Fees shall not be charged to Client's account for that month. The amount equal to the aggregate Factoring Fees and the monthly installments of the Minimum Factoring Fee, as appropriate, actually charged to the account of Client for an annual period shall be referred to as the "Charged Fees". At the end of each consecutive annual period following the Effective Date, or more often if deemed necessary by Continental in its sole discretion, Continental shall review the Charged Fees to determine any further adjustments that shall be either debited or credited to the account of Client.

(D) In addition to Minimum Factoring Fee, if the average invoice (defined as the Purchase Price of Accounts, divided by the number of invoices assigned) is less than [REDACTED] in any given month, Client will pay an additional Factoring Fee equal to [REDACTED] (%) on all Accounts.

(E) In order to induce Continental to provide Client credit approval on certain Accounts which Continental might not otherwise credit approve, Client agrees that Continental shall have the right to charge to Client a surcharge. The amount of such surcharge shall be in an amount to be determined by Continental in its sole discretion on any such Account which Client requests Continental to credit approve and which Continental agrees to credit approve. The Accounts subject to a surcharge are those Accounts where the account debtor is the subject of a pending bankruptcy proceeding, the account debtor is not adequately capitalized in the opinion of Continental or the account debtor is viewed by Continental (on the basis of various economic factors considered by Continental) as being substantially more unlikely to timely pay the Account than other account debtors whose Accounts are then being credit approved by Continental. Nothing in this subparagraph shall require Continental to credit approve any Account, even if the Client agrees that Continental can charge Client a surcharge in connection with such Account.

(F) Continental's Factoring Fee for each month shall be charged to account of Client on the last Business Day of each month.

2.3 Interest.

(A) So long as no Event of Default has occurred and is continuing, Obligations shall bear interest from the date such Obligations arose to the date paid at the Factoring Advances Interest Rate, and in no event shall the interest charge for any month while this Agreement remains in effect be less than the Minimum Monthly Factoring Advances Interest Charge. After the occurrence of an Event of Default and for so long as such Event of Default continues, the Obligations of Client shall, at Continental's option, bear interest at a rate per annum equal to [REDACTED] plus the Factoring Advances Interest Rate (the "Default Interest Rate"). Interest on the Obligations shall be computed on the daily principal balance net of all payments received from Client or on behalf of Client and net of the Purchase Price of Accounts then due and payable by Continental. Interest will be calculated daily on the basis of a 360-day year for the actual number of days elapsed in the period during which it accrues and shall be charged to the account of Client at the end of each month. Any publicly announced change in the Prime Rate shall result in an adjustment to

the Factoring Advances Interest Rate or the Default Interest Rate on the first Business Day of the immediately succeeding month.

(B) To compensate Continental for collection clearance on all checks and other payments remitted with respect to Accounts, Client shall pay to Continental each month, in addition to interest, a collection clearance charge of three (3) Business Days all checks and other payments applied.

(C) Client will pay Continental interest at the Factoring Advances Interest Rate on any Approved Account that Continental charges back to Client after the Deems Paid Date computed on the Total Amount from the Deems Paid Date to the date of the charge-back.

(D) Notwithstanding any provision to the contrary contained in this Agreement or the other Factoring Documents, Client shall not be required to pay, and Continental shall not be permitted to collect, any amount of interest in excess of the maximum amount of interest permitted by law ("Excess Interest"). If any Excess Interest is provided for or determined by a court of competent jurisdiction to have been provided for in this Agreement or in any of the other Factoring Documents, then in such event (1) the provisions of this subsection shall govern and control; (2) neither Client nor any Factoring Facility Party shall be obligated to pay any Excess Interest; (3) any Excess Interest that Continental may have received hereunder shall be, at Continental's option, (a) applied as a credit against the outstanding principal balance of the Obligations of Client or accrued and unpaid interest (not to exceed the maximum amount permitted by law), (b) refunded to the payor thereof, or (c) any combination of the foregoing; (4) the interest rate(s) provided for herein shall be automatically reduced to the maximum lawful rate allowed from time to time under applicable law (the "Maximum Rate"), and this Agreement and the other Factoring Documents shall be deemed to have been and shall be, reformed and modified to reflect such reduction; and (5) neither Client nor any Factoring Facility Party shall have any action against Continental for any damages arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any Obligations of Client is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on such Obligations of Client shall remain at the Maximum Rate until Continental shall have received the amount of interest which Continental would have received during such period on such Obligations of Client had the rate of interest not been limited to the Maximum Rate during such period.

(E) At all times during the term of this Agreement where Continental holds Collected Funds and there are no outstanding Obligations which are then due and payable to Continental, Continental shall pay to Client interest on the Collected Funds at a rate equal to the [REDACTED] Interest on the qualifying Collected Funds shall be calculated daily on the basis of a 360-day year for the actual number of days elapsed and shall be credited to Client's account with Continental at the end of each month during which such interest accrues. Any publicly announced change in the Prime Rate shall result in an adjustment to the interest rate on Collected Funds on the first Business Day of the immediately succeeding month. As Obligations become due and payable from time to time, Continental shall be entitled to immediately apply Collected Funds to such Obligations and, as a result, such Collected Funds shall no longer accrue interest pursuant to this Section 2.3(E).

2.4 Payments.

(A) All payments by or on behalf of Client of the Obligations shall be made without deduction, defense, setoff or counterclaim.

(B) All proceeds from the Lockbox shall be remitted to the Continental's Account. Client shall receive credit for proceeds remitted from the Lockbox to the Continental Account on the day Continental applies credit for such proceeds. Any check or other item of payment which is not sent to the Lockbox and which is received by Continental shall be forwarded to the Lockbox and shall be processed in accordance with the Lockbox procedures for all payments made to the Lockbox.

(C) All payments by Client shall be made in same day funds and delivered to Continental by wire transfer to the Continental Account or to any other account, as Continental may direct from time to time by notice to Client.

(D) Client shall receive credit for funds remitted by wire transfer on the date such funds are advised in the Continental Account if Client has given Continental telephonic notice by 9:00 a.m. (Los Angeles time) of the transfer and such funds are received in the Continental Account by 11:00 a.m. (Los Angeles time) on such day. In the absence of timely notice and receipt, such funds shall be deemed to have been paid by Client on the next succeeding Business Day.

(E) In order to cause timely payment to be made to Continental of all Obligations as and when due, Client hereby authorizes and directs Continental, at Continental's option, to debit the account of Client when such Obligations become due.

2.5 Term of this Agreement.

(A) Original Term and Renewal Terms. This Agreement shall be in effect for the Original Term and shall automatically renew for consecutive Renewal Terms unless terminated by either party giving the other written notice not less than sixty (60) days prior to the end of the Original Term or any Renewal Term, which written notice shall clearly state such party's intention to terminate at the end of the current term.

(B) Early Termination. Client and Continental shall each have the right to terminate this Agreement at any time (other than the end of the Original Term or a Renewal Term, if any) without providing sixty (60) days notice as required in subsection 2.5(A) above, by giving at least thirty (30) days' prior written notice to the other party. If Client shall elect to give notice of termination, such notice shall (i) be irrevocable, with no right by Client to reinstate without the written consent of Continental, and (ii) contain a specific date upon which this Agreement shall terminate. In the event that the Agreement is terminated for any reason whatsoever (other than provided in subsection 2.5(A) above) including as a result of an Event of Default, in addition to all other Obligations, Client shall pay Continental an early termination fee (the "Termination Fee") equal to [REDACTED] % of the amount of the Credit Limit (in effect on the date of termination) multiplied by the greater of (a) four (4) or (b) the number of months (or portions thereof) from the date of termination to the end of the current term. Any notice given by Client pursuant to this subsection 2.5(B), which does not contain a specific date upon which this Agreement shall terminate, shall be ineffective. The Termination Fee (if any) shall be included in the Obligations, shall be payable on the effective date of termination, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations.

(C) Effect of Termination. The Factoring Advances Facility shall (unless earlier terminated) terminate on the Termination Date. In addition, this Agreement may be terminated as set forth in subsection 8.3 hereof. Upon termination in accordance with subsection 8.3 or on the Termination Date, all

Obligations shall become immediately due and payable without notice or demand. Notwithstanding any termination, until all Obligations have been fully paid and satisfied, Continental shall be entitled to retain security interests in and liens upon all Collateral, and even after payment of all Obligations hereunder, the obligation of Client to indemnify Continental in accordance with the terms hereof shall continue and survive the Termination Date. In addition, Client and any Guarantors shall remain liable to Continental for all obligations with respect to any un-reimbursed costs and expenses incurred by Continental on or prior to the Termination Date and which Continental has not been invoiced, or which are incurred after the Termination Date (collectively "Contingent Expenses"). Contingent Expenses shall be at all times deemed Obligations as that term is defined in this Agreement.

2.6 Statements. Continental shall render a monthly statement of account to Client. Such statement of account shall constitute an account stated unless Client gives Continental the written objection of Client thereto within sixty (60) days from the date such statement is mailed to Client.

2.7 Grant of Security Interest. To secure the payment and performance of the Obligations, Client hereby grants to Continental a continuing security interest in all Client's right, title and interest in the Collateral.

2.8 Grant of Fully Paid-Up, Non-Exclusive License. Client hereby grants to Continental a fully paid-up, non-exclusive license (the "License") to use all of the trademarks and trade names owned by Client in connection with any sales of inventory by Continental made pursuant to the terms of this Agreement. The grant of the License shall be irrevocable, but shall terminate concurrently with the repayment in full by Client of all Obligations and the termination of this Agreement pursuant to subsection 2.5 of this Agreement. Client agrees to use its best efforts to obtain the consent of its licensors, if any, to permit Continental to sell inventory otherwise subject to a license in the manner and to the extent permitted to Client under the applicable license agreement.

2.9 Initial Field Examination Fee and Facility Fee.

(A) Client shall pay, or have paid to Continental on or prior to the Effective Date the Initial Field Examination Fee. Any balance of the audit fees, costs, expenses and other related charges owing to Continental after application of the Initial Field Examination Fee shall be added to and included in the Obligations.

(B) Client shall pay to Continental on the Effective Date the Facility Fee.

2.10 Access to Continental's On-Line Systems. Continental shall provide to Client access to Continental's System during normal business hours, for the purposes of (i) obtaining information regarding applicable credit balances and borrowing availability, and (ii) if permitted by Continental, making requests for advances and submitting borrowing base certificates. Such access shall be subject to the following terms, in addition to all terms set forth on the website for Continental's System:

(A) Continental shall provide to Client an initial password for secured access to Continental's System. Client shall provide Continental with a list of officers and employees that are authorized from time to time to access Continental's System, and Client agrees to limit access to the password and Continental's System to such authorized officers and employees. After the initial access, Client shall be solely responsible for (i) changing and maintaining the integrity of Client's password and (ii) any unauthorized use of Client's password or Continental's System by Client's officers and employees.

(B) Client shall use Continental's System and information thereon solely for the purposes permitted above, and shall not access Continental's System for the benefit of third parties or provide any information obtained from Continental's System to third parties. Continental makes no representation that credit balances or borrowing availability information is or will be available, accurate, complete, correct or current at all times. Continental's System may be inoperable or inaccessible from time to time, whether for required website maintenance, upgrades to Continental's System, or for other reasons, and in any such event Client must obtain credit balance and any availability information, and (if permitted by Continental) make requests for advances and submit any such certificates requested by Continental using other available means. In the event that Continental's System provides information to Client that is not accurate and Client relies thereon to their detriment, Client shall not be in default nor shall Client be charged out-of-pocket expenses for such error in Continental's System.

(C) Client hereby confirms and agrees that Continental's System consists of proprietary software, data, tools, scripts, algorithms, business logic, website designs and interfaces and related intellectual property, information and documentation. Continental's System and related intellectual property, information and documentation are the sole and exclusive property of Continental, and Client shall have no right, title or interest therein or thereto, except for the limited right to access Continental's System for the purposes permitted above. Upon termination of this Agreement, Client agrees to cease any use of Continental's System.

(D) All agreements, covenants and representations and warranties made by Client in any documents or certificates submitted to Continental by means of Continental's System are incorporated herein by reference.

SECTION 3. CONDITIONS TO FACTORING FACILITY

3.1 The willingness of Continental to make Factoring Advances on the Effective Date and on each Funding Date is subject to satisfaction of all of the conditions set forth below.

(A) Continental shall have received, in form and substance satisfactory to Continental, all items and all other agreements, notes, documents, certificates, orders, authorizations, financing statements and other items which Continental may at any time reasonably request.

(B) Continental shall have received a certified copy of the minutes of the meetings of Client's board of directors and shareholders, partners or other governing body, as appropriate, authorizing the borrowings and the granting of the security interests provided for herein and authorizing specific officers, partners or agents to execute and deliver the Factoring Documents.

(C) Continental shall have received satisfactory evidence that all security interests and liens granted to Continental pursuant to this Agreement or the other Factoring Documents have been duly perfected and constitute first priority liens on the Collateral.

(D) The representations and warranties contained herein and in the Factoring Documents shall be true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date, except for any representation or warranty limited by its terms to a specific date and taking into account any amendments to the Schedules or Exhibits as a result of any disclosures made by Client to Continental after the Effective Date and approved by Continental.

(E) No event shall have occurred and be continuing or would result from the consummation of the requested Factoring Advance that would constitute an Event of Default or a Default.

(F) Each Factoring Facility Party shall have performed in all material respects all agreements and satisfied all conditions, which any Factoring Document provides shall be performed by it on or before that Funding Date.

(G) No order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain Continental from making any Factoring Advances.

(H) The making of the Factoring Advances requested on such Funding Date shall not violate Regulation G, Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

(I) Since June 30, 2015, there shall not have occurred any material adverse change in the business, financial condition or results of operations of Client, or the existence or value of any Collateral, or any event, condition or state of facts which would reasonably be expected to have a Material Adverse Effect.

(J) There shall not be pending or, to the knowledge of Client, threatened, any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration against or affecting any Factoring Facility Party or any property of any Factoring Facility Party that has not been disclosed by Client in writing, and there shall have occurred no development in any such action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration that, in the opinion of Continental, would reasonably be expected to have a Material Adverse Effect.

(K) Continental shall have received satisfactory evidence that Client has obtained all necessary licenses and permits to operate its business, including, without limitation, applicable federal, state and local licenses and permits relating to the use and disposal of hazardous materials and such licenses and permits as are required under Environmental Laws, and that Client has complied with all applicable laws, statutes, regulations and orders in connection with the factoring and financing transactions contemplated by this Agreement.

(L) Continental shall have received payment in full of the Initial Field Examination Fee and the Facility Fee.

SECTION 4. REPRESENTATIONS AND WARRANTIES

In order to induce Continental to enter into this Agreement, Client represents and warrants to Continental that the following statements are and will at all times be true, correct and complete:

4.1 Organization, Powers. Each of the Factoring Facility Parties is a Person and, to the extent not a natural person, is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation, as appropriate, and is qualified to do business in all states where such qualification is required. Each of the Factoring Facility Parties has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted and to enter into each Factoring Facility.

4.2 Authorization to Incur the Obligations. Client has the power and authority to incur the Obligations of Client and to grant security interests in the Collateral. On the Effective Date, the execution, delivery and performance of the Factoring Documents by each Factoring Facility Party and signatory thereto will have been duly authorized by all necessary corporate and shareholder, partnership or similar action. The execution, delivery and performance by each Factoring Facility Party of each Factoring Document and the consummation of the transactions contemplated by this Agreement do not and will not be in contravention of any applicable law, the corporate charter or by-laws, partnership agreement or other similar governing agreement of any Factoring Facility Party or any agreement or order by which any Factoring Facility Party is bound. This Agreement is, and the other Factoring Documents, when executed and delivered will be, the legally valid and binding obligations of the applicable Factoring Facility Parties, each enforceable against the Factoring Facility Parties, as applicable, in accordance with their respective terms.

4.3 Financial Condition. All financial statements concerning Client which have been or will hereafter be furnished by Client to Continental pursuant to this Agreement have been or will be prepared in accordance with GAAP consistently applied throughout the periods involved (except as disclosed therein) and do or will present fairly the financial condition of Client as at the dates thereof and the results of their operations for the periods then ended. The Projections delivered and to be delivered have been and will be prepared by Client in light of the past operations of the business of Client. The Projections represent and will represent the good faith estimate of Client and its senior management concerning the most probable course of its business.

4.4 Indebtedness and Liabilities. As of the Effective Date, Client does not have any indebtedness or liabilities (including those which are contingent), which were not previously disclosed to Continental in writing.

4.5 Account Warranties. Client represents and warrants as to each Account that, at the time of its creation, (a) the Account is a valid, bona fide account, representing an undisputed indebtedness incurred by the named Account Debtor for goods actually sold and delivered or for services completely rendered in accordance with the terms and provisions contained in the documents delivered to Continental with respect thereto; (b) there are no setoffs, offsets or counterclaims, genuine or otherwise, against the Account; (c) the Account does not represent a sale to an Affiliate or to any director, officer, agent, stockholder, partner or employee of Client or any of its Affiliates; (d) the named Account Debtor's obligation to pay is not conditional or subject to a repurchase obligation or right to return including, without limitation, a guaranteed sale, a sale on approval, a consignment sale, a sale or return transaction, or a bill and hold sale; (e) no agreement exists permitting any deduction or discount (other than the discount stated on the invoice); (f) Client is the lawful owner of the Account and has the right to sell and assign the same to Continental; (g) the Account is free of all security interests, Liens and encumbrances other than those in favor of Continental; (h) the Account is due and payable in accordance with its terms; and (i) any such Account sold to Continental which is invoiced under a trade name or trade style listed in subsection 4.7 is wholly owned by Client and the undertakings, representations and warranties made in connection with such Accounts are identical to and of the same force and effect as those made with respect to invoices bearing the proper legal name of Client.

4.6 Inventory and Equipment Warranties. The following representations and warranties apply to the Client's Inventory and Equipment, as applicable:

(A) All of the Inventory and Equipment are currently located at Client's Address described and set forth in subsection 1.1 of this Agreement;

(B) All of the Inventory is now and at all times hereafter shall be of good and merchantable quality, free from defects;

(C) The Inventory is not now stored with a bailee, warehouseman or similar party; and

(D) Client currently keeps correct and accurate records itemizing and describing the kind, type, quality, and quantity of the inventory, and its costs therefor.

4.7 Names; Trade Names. Client does not conduct business and has not at any time during the past five years conducted business under any name, trade name or fictitious business name other than those names as defined as Trade Names.

4.8 Locations. Client does not conduct business at, or maintains any other place of business other than the Client Address.

4.9 Title to Properties; Liens. Client has good, sufficient and legal title to all the Collateral. The Collateral is free and clear of Liens. There are no actual, threatened or alleged defaults with respect to any leases of real property under which Client is lessee or lessor, which would have a Material Adverse Effect.

4.10 Perfection. This Agreement creates a valid and first priority security interest in the Collateral, securing the payment and performance of the Obligations and all actions necessary to perfect and protect such security interest have been duly taken.

4.11 Litigation; Adverse Facts. There are no judgments outstanding against any Factoring Facility Party or affecting any property of any Factoring Facility Party nor is there any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration now pending or, to the best knowledge of Client after due inquiry, threatened against or affecting any Factoring Facility Party or any property of any Factoring Facility Party which would reasonably be expected to result in any Material Adverse Effect. No Factoring Facility Party has received any opinion or legal advice from legal counsel to the effect that it is exposed to any liability or disadvantage which could reasonably be expected to result in any Material Adverse Effect.

4.12 Payment of Taxes. All material tax returns and reports of Client and each of its Affiliates required to be filed by any of them have been timely filed, and all taxes, assessments, fees and other governmental charges upon such Persons and upon their respective properties, assets, income and franchises which are shown on such returns as due and payable have been paid when due and payable. None of the United States income tax returns of Client and each of its Affiliates are under audit. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of Client and each of its Affiliates in respect of any taxes or other governmental charges are in accordance with GAAP.

4.13 Performance of Agreements. None of the Factoring Facility Parties is in default in the performance of any of its obligations, covenants or conditions contained in any agreement of any such Person, and no condition exists that, with the giving of notice or the lapse of time or both, would constitute such a default.

4.14 Intellectual Property. Client owns, is licensed to use, or otherwise has the right to use, all patents, trademarks, trade names, copyrights, technology, know-how and processes used in or necessary for the conduct of its business as currently conducted that are material to the financial condition, business or operations of Client.

4.15 Broker's Fees. No broker's or finder's fee or commission will be payable with respect to any of the transactions contemplated hereby.

4.16 Environmental Compliance. Each Factoring Facility Party has been and is currently in compliance with all applicable Environmental Laws, including obtaining and maintaining in effect all permits, licenses or other authorizations required by applicable Environmental Laws. There are no claims, liabilities, investigations, litigation, administrative proceedings, whether pending or threatened, or judgments or orders relating to any hazardous materials asserted or threatened against any Factoring Facility Party or relating to any real property currently or formerly owned, leased or operated by any Factoring Facility Party.

4.17 Solvency. As of and from and after the date of this Agreement, Client: (a) owns and will own assets the fair salable value of which are (i) greater than the total amount of liabilities (including contingent liabilities) of Client and (ii) greater than the amount that will be required to pay the probable liabilities of Client as they mature; (b) has capital that is not unreasonably small in relation to its business as presently conducted or any contemplated or undertaken transaction; and (c) does not intend to incur and does not believe that it will incur debts beyond its ability to pay such debts as they become due.

4.18 Disclosure. No representation or warranty contained in this Agreement, the financial statements, the other Factoring Documents, or any other document, certificate or written statement furnished to Continental by or on behalf of any Factoring Facility Party for use in connection with the Factoring Documents contains any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. There is no material fact known to Client that has had or will have a Material Adverse Effect and that has not been disclosed herein or in such other documents, certificates and statements furnished to Continental or any of Continental's successors or permitted assigns for use in connection with the transactions contemplated hereby.

4.19 Insurance. Client maintains adequate insurance policies for public liability and property damage for its business and properties, no notice of cancellation has been received with respect to such policies and Client is in compliance with all conditions contained in such policies.

4.20 Compliance with Laws. Client is not in violation of any law, ordinance, rule, regulation, order, policy, guideline or other requirement of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of its business or the ownership of its properties, including, without limitation, any violation relating to any use, release, storage, transport or disposal of any hazardous material, which violation would subject Client or any of its officers, partners or personnel to criminal liability or have a Material Adverse Effect and no such violation has been alleged.

SECTION 5. AFFIRMATIVE COVENANTS

So long as this Agreement shall be in effect and until payment in full of all Obligations, unless Continental shall otherwise give its prior written consent, Client covenants and agrees as follows:

5.1 Financial Statements and Other Reports. Client will maintain a system of accounting in accordance with sound business practices and its financial statements shall be prepared in conformity with GAAP.

(A) Financial Statements. Client shall cause to be prepared and delivered to Continental complete financial statements of Client (including, but not limited to, balance sheet, profit and loss statement and accountants' comments) as follows: (1) financial statements for each three-month period from the end of the Fiscal Year, within forty-five (45) days after the end of the six-month period, and (2) financial statements for each Fiscal Year, within seventy-five (75) days following the end of the Fiscal Year. At Continental's request, Client shall prepare a monthly internally prepared financial statement in conformity with GAAP and deliver such monthly financial statements within thirty (30) day following the end of the monthly period. Client shall also deliver to Continental a copy of all other financial statements prepared with respect to Client no later than thirty (30) days after the preparation or receipt thereof by Client. The annual financial statements shall be prepared and "Reviewed" by independent certified public accountants acceptable to Continental. Client shall, promptly following the date hereof, deliver a letter ("Accountant Letter") to its accountants, which letter shall (i) advise them that one of the principal purposes of the "Reviewed" financial statements which the accountants may be asked to prepare quarterly and annually is to provide Continental and the financial institutions with which it has banking, rediscount, factoring or other relationships, with information regarding Client's financial condition, (ii) directing the accountants to send such Reviewed financial statements directly to Continental and said financial institutions, and (iii) upon Continental's request, to meet with Continental and such institutions annually or more frequently to discuss said financial statements and any questions regarding the same. If, hereafter, Client changes accountants, the new accountants shall be independent certified public accountants acceptable to Continental, and Client shall deliver the Accountant Letter to such new accountants. All costs, expenses and fees pertaining to the matters referred to in this subsection shall be borne solely and exclusively by Client.

(B) Semi-Annual Projections. At Continental's request, or as soon as available and in any event no later than sixty (60) days after the end of each six month period of each Fiscal Year, Client will deliver Projections of Client for the forthcoming six months, month by month.

(C) Accountants' Reports. Promptly upon receipt thereof, Client will deliver copies of all significant reports submitted to Client by independent public accountants in connection with each annual, interim or special audit of the financial statements of Client made by such accountants, including the comment letter submitted by such accountants to management in connection with their annual audit.

(D) Assignment Schedules and Invoices. On each Business Day, Client shall deliver to Continental: (1) an assignment schedule of all Accounts created by Client since the delivery of the previous assignment schedule; and (2) copies of invoices evidencing such sales with the related shipping evidence and proofs of delivery.

(E) Appraisals. At the request of Continental, Client, at its own expense, will obtain and deliver to Continental appraisal reports in form and substance and from appraisers satisfactory to Continental, stating the then current fair market and orderly liquidation values of all or any portion of the Collateral.

(F) Government Notices. Client will deliver to Continental promptly after receipt copies of all notices, requests, subpoenas, inquiries or other writings received from any governmental agency concerning any Employee Benefit Plan, the violation or alleged violation of any Environmental Laws, the storage, use or disposal of any hazardous material or the payment or non-payment by Client of any taxes including any tax audit.

(G) Events of Default, etc. Promptly upon any officer, partner, employee or agent of Client obtaining knowledge of any of the following events or conditions, Client shall deliver a certificate of the chief executive officer, managing partner or any person of similar authority of Client specifying the nature and period of existence of such condition or event and what action Client has taken, is taking and proposes to take with respect thereto: (1) any condition or event that constitutes an Event of Default or Default; (2) any notice of default that any Person has given to Client or any other action taken with respect to a claimed default; or (3) any Material Adverse Effect.

(H) Trade Names. Client will give Continental at least thirty (30) days advance written notice of any change of name, Trade Name or of any trade name or fictitious business name. The use of any Trade Name, trade name or fictitious business name by Client will be in compliance with all laws regarding the use of such names.

(I) Locations. Client will give Continental at least thirty (30) days advance written notice of any change in or new location of the Client Address.

(J) Bank Accounts. Client will give Continental prompt notice of any new bank accounts established by Client.

(K) Other Information. With reasonable promptness, Client will deliver such other information and data with respect to any Factoring Facility Party or the Collateral as Continental may reasonably request from time to time.

5.2 Credit Inquiries. Client authorizes Continental to disclose information regarding Client as Continental deems appropriate to persons making credit inquiries about Client.

5.3 Collateral Records. Client shall keep full and accurate books and records relating to the Collateral and shall mark such books and records to indicate Continental's security interests in the Collateral. Without limiting the foregoing, Client shall keep correct and accurate records itemizing and describing the kind, type, quality, and quantity of the inventory, and its cost therefor.

5.4 Inspection. Client shall permit Continental and any authorized representatives designated by Continental to visit and inspect any of the properties of Client, including its collateral, financial and accounting records, and to make copies and take extracts therefrom, and to discuss its affairs, finances and business with its officers and independent public accountants, at such reasonable times during normal business hours and as often as may be reasonably requested. Client acknowledges that Continental intends to make such inspections from time to time and Client shall be charged an audit fee for each such inspection. Client shall reimburse Continental for its actual cost incurred for each inspection. The amount charged under this section shall be deemed included in the Obligations when incurred.

5.5 Account Verification. Continental or any of its agents shall have the right, at any time or times hereafter, in Continental's name or in the name of a nominee of Continental, to verify the validity, amount or any other matter relating to an Account, by mail, telephone, telegraph, facsimile, in person or otherwise.

5.6 Collateral Proceeds. Client shall receive, as the sole and exclusive property of Continental and as trustee of an express trust for the benefit of Continental, all monies, checks, notes, drafts and all other

payments for or proceeds of the Collateral that come into the possession or under the control of Client (or any of its shareholders, partners, directors, officers, employees or agents), and immediately upon receipt thereof, Client shall: (a) remit the same or cause the same to be remitted, in kind, to Continental at Continental's office or to any agent designated by Continental or if Continental so desires, (b) deposit same, in kind, in the Lockbox, or cash collateral, blocked or similar account in the name and under the control of Continental.

5.7 Endorsement. Client hereby appoints Continental and all Persons designated by Continental for that purpose as the true and lawful attorney-in-fact of Client, with power to endorse the name of Client to any of the items of payment or proceeds described in subsection 5.6 above that come into Continental's possession or under Continental's control. Both the appointment of Continental as the attorney of Client and Continental's rights and powers are coupled with an interest and are irrevocable until payment in full and complete performance of all of the Obligations.

5.8 Business Identity. To the extent Client is a corporation, partnership, limited liability company or other form of business enterprise, Client will at all times preserve and keep in good standing and in full force and effect its business identity and all rights and franchises material to its business. Client will promptly notify Continental of any change in its business identity or structure.

5.9 Payment of Taxes. Client will pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon provided that no such tax need be paid if Client is contesting same in good faith by appropriate proceedings promptly instituted and diligently conducted and if Client has established appropriate reserves as shall be required in conformity with GAAP.

5.10 Maintenance of Properties; Insurance. Client will maintain or cause to be maintained in good repair, working order and condition all inventory, equipment and other material properties used in the business of Client and will make or cause to be made all appropriate repairs, renewals and replacements thereof. Client shall, at all times, and for such periods of time Continental may require, at Client's expense, insure all of the insurable Collateral, and all of Client's books and records, by financially sound and reputable insurers acceptable to Continental, in the form of extended coverage policies against loss or damage by theft, embezzlement, fire explosion, flood, sprinkler, or any other insurable event or risk that Continental may require, to the fullest extent of the insurable value thereof. All such insurance policies shall name Continental as the exclusive loss payee, shall provide that proceeds payable thereunder shall be payable directly to Continental unless notarized written authority to the contrary is obtained from Continental, and shall also provide that no act or default of Client or any other person shall affect the right of Continental to recover thereunder (and wherever obtainable shall contain a loss payee endorsement on Continental's standard form, or, at Continental's option, a Board of Fire Underwriters Endorsement No. 438 in favor of Continental). Upon receipt of the proceeds of any such insurance, Continental shall apply such proceeds in reduction of the Obligations, whether or not then due, in such order and manner as Continental shall determine in its sole discretion. Client shall provide Continental with the original or a certificate of each such policy of insurance which shall contain a provision requiring the insurer to give not less than twenty (20) days advance written notice to Continental in the event of cancellation or termination of the policy for any reason whatsoever. If Client fails to provide or pay for any such insurance, Continental is authorized (but not obligated) to procure the same at Client's expense. Client agrees to deliver to Continental, promptly as rendered, true and correct copies of all reports made to all insurance companies.

5.11 Compliance with Laws. Client will comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority as now in effect and which may be imposed in the future in all jurisdictions in which Client is now doing business or may hereafter be doing business, other than those laws the noncompliance with which would not have a Material Adverse Effect.

5.12 Further Assurances. Client shall, from time to time, execute such guaranties, financing or continuation statements, documents, security agreements, instruments of assignment, instruments of further assurance, reports and other documents or deliver to Continental such instruments, certificates of title or other documents as Continental at any time may reasonably request to evidence, perfect or otherwise implement the guaranties and security for repayment of the Obligations provided for in the Factoring Documents.

SECTION 6. FINANCIAL COVENANTS

So long as this Agreement remains in effect and until payment in full of all Obligations, Client covenants and agrees as follows:

6.1 Tangible Net Worth. At all times during the term of this Agreement, Client shall have Tangible Net Worth of at least [REDACTED].

6.2 Working Capital. At all times during the term of this Agreement, Client shall have Working Capital of at least [REDACTED].

6.3 Permitted Dividends. At all times during the term of this Agreement, Client shall, so long as no Event of Default (as that term is defined in the Agreement) has occurred and is continuing, be entitled to disburse to the Members(s), Partner(s), or Stockholder(s) an amount no greater than [REDACTED] % of the Net Income (as defined by GAAP) of Client for each such fiscal year.

SECTION 7. NEGATIVE COVENANTS

So long as this Agreement remains in effect and until payment in full of all Obligations, Client covenants and agrees as follows:

7.1 Indebtedness and Liabilities. Client will not create, incur, assume, guaranty, or otherwise become or remain directly or indirectly liable with respect to any indebtedness, liabilities or obligations except: (a) the Obligations; (b) inter company liabilities among Client and its subsidiaries; provided that such liabilities is subordinated in right of payment to the Obligations; and (c) liabilities secured by Liens identified. Except for liabilities permitted in the preceding sentence, Client will not incur any Liabilities except for trade payables and normal accruals in the ordinary course of business not yet due and payable or with respect to which Client is contesting in good faith the amount or validity thereof by appropriate proceedings and then only to the extent that Client has established adequate reserves therefor, if appropriate under GAAP.

7.2 Guaranties. Except for endorsements of instruments or items of payment for collection in the ordinary course of business, Client shall not guaranty, endorse, or otherwise in any way become or be

responsible for any obligations of any other Person, whether directly or indirectly by agreement to purchase the indebtedness of any other Person or through the purchase of goods, supplies or services, or maintenance of working capital or other balance sheet covenants or conditions, or by way of stock purchase, capital contribution, advance or loan for the purpose of paying or discharging any indebtedness or obligation of such other Person or otherwise.

7.3 Transfers and Liens. Client shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except that Client may sell inventory in the ordinary course of business. Client will not create, incur, assume or permit to exist any Lien on or with respect to any of the Collateral or any income or profits therefrom.

7.4 Investments and Loans. Client shall not make or permit to exist investments in or loans to any other Persons.

7.5 Restricted Junior Payments. Client will not declare, order, pay, make or set apart any sum for (a) any dividend or other distribution on account of any capital stock, partnership interests or other similar equity interests of Client now or hereafter outstanding, except stock dividends; (b) any redemption, conversion, exchange, retirement, sinking fund or other purchase of any capital stock, partnership interests or other similar equity interests of Client now or hereafter outstanding; (c) any payment with respect to, prepayment of, retirement, or forgiveness of all or any portion of any subordinated indebtedness; and (d) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire capital stock, partnership interests or other similar equity interests of Client now or hereafter outstanding.

7.6 Restriction on Fundamental Changes. Client will not: (a) enter into any transaction of merger or consolidation; (b) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution); (c) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, whether now owned or hereafter acquired; or (d) acquire by purchase or otherwise all or any substantial part of the business or assets of, or stock or other evidence of beneficial ownership of, any Person.

7.7 Changes Relating to Subordinated Indebtedness. Client will not change or amend the terms of any subordinated indebtedness if the effect of such amendment is to: (a) increase the interest rate on such indebtedness; (b) change the dates of payment or other payment provisions relating to the payments of principal or interest are due on such indebtedness; (c) change any event of default or add any covenant with respect to such indebtedness; (d) change the subordination provisions thereof; or (e) change or amend any other term if such change or amendment would materially increase the obligations of the obligor or confer additional material rights on the holder of such indebtedness in a manner adverse to Client or Continental.

7.8 Transactions with Affiliates. Client will not, and will not permit any Factoring Facility Party to, enter into any transaction with an Affiliate including the purchase, sale or exchange of property or the rendering of any service to any Affiliate except in the ordinary course of and pursuant to the reasonable requirements of the business of Client and upon fair and reasonable terms no less favorable to Client than it would obtain in a comparable arm's length transaction with an unaffiliated Person.

7.9 Environmental Liabilities. Client will not and will not permit any Factoring Facility Party to: (a) violate any applicable Environmental Law; (b) dispose of any hazardous materials (except in accordance with applicable law) into or onto or from, any real property owned, leased or operated by any Factoring Facility Party; or (c) permit any Lien imposed pursuant to any Environmental Law to be imposed or to remain on any real property owned, leased or operated by any Factoring Facility Party.

7.10 Conduct of Business. From and after the Effective Date, Client will not engage in any business other than businesses of the type engaged in on the Effective Date.

7.11 Transfer of Trade Names and Trademarks. Client shall not transfer any of its rights in any trade name and/or trademark that it owns or has the right to use under a license agreement without (i) first providing to Continental one hundred twenty days (120) prior written notice of such transfer and (ii) concurrent with such transfer, obtaining and delivering to Continental the written agreement of the intended transferee that such transfer is subject to all rights of Continental in such trade names and trademarks.

SECTION 8. DEFAULT, RIGHTS AND REMEDIES

8.1 Event of Default. "Event of Default" shall mean the occurrence or existence of any one or more of the following:

- (A) **Payment.** Failure to make payment of any of the Obligations when due; or
- (B) **Default in Other Agreements.** (1) Failure of Client to pay when due any principal or interest on any indebtedness, liabilities, obligations, or (2) breach or default of Client with respect to any indebtedness, liabilities, obligations; if such failure to pay, breach or default entitles the holder to cause such indebtedness, liabilities, obligations having an individual principal amount in excess of [REDACTED] or having an aggregate principal amount in excess of [REDACTED] to become or be declared due prior to its stated maturity; or
- (C) **Breach of Certain Provisions.** Failure of Client to perform or comply with any term or condition contained in subsections 5.2, 5.4, 5.5 or 5.6 or contained in Section 6 or Section 7; or
- (D) **Breach of Warranty.** Any representation, warranty, certification or other statement made by any Factoring Facility Party in any Factoring Document or in any statement or certificate at any time given by such Person in writing pursuant or in connection with any Factoring Document is false in any material respect on the date made; or
- (E) **Other Defaults Under Factoring Documents.** Client or any other Factoring Facility Party defaults in the performance of or compliance with any term contained in this Agreement or the other Factoring Documents and such default is not remedied or waived within ten (10) days after the occurrence of such default (other than occurrences described in other provisions of this subsection 8.1 for which a different grace or cure period is specified or which constitute immediate Events of Default); or
- (F) **Change in Ownership.** Any change of ownership occurs with respect to more than [REDACTED] of the capital stock, partnership interests or similar equity interests of Client; or
- (G) **Bankruptcy, etc.** (1) Commencement by or against Client of any bankruptcy proceeding, insolvency arrangement, or similar proceeding, or (2) Client suspends or discontinues its business, or (3) the appointment of a receiver or trustee of any kind for Client or for any property of Client, or (4) if Client calls, or has called by a third party, a meeting of creditors; or

(H) Guarantors. Any Guarantor terminates its Guaranty or becomes insolvent or has commenced by or against it any bankruptcy proceeding, insolvency arrangement or similar proceeding; or

(I) Liens. Any lien, levy or assessment is filed or recorded with respect to or otherwise imposed upon all or any part of the Collateral or any of the assets of Client by the United States or any department or instrumentality thereof or by any state, county, municipality or other governmental agency and such lien, levy or assessment is not stayed, vacated, paid or discharged within ten (10) days; or

(J) Judgment and Attachments. Any money judgment, writ or warrant of attachment, or similar process involving (1) an amount in any individual case in excess of [REDACTED] or (2) an amount in the aggregate at any time in excess of [REDACTED] (in either case not adequately covered by insurance as to which the insurance company has acknowledged coverage) is entered or filed against Client or any of its assets and remains undischarged, unvacated, unbonded or unstayed for a period of fifteen (15) days and in any event later than five (5) days prior to the date of any proposed sale thereunder; or

(K) Dissolution. Any order, judgment or decree is entered against Client decreasing the dissolution or split up of Client; or

(L) Solvency. Client ceases to be solvent (as represented by Client in subsection 4.17) or admits in writing its present or prospective inability to pay its debts as they become due; or

(M) Injunction. Client is enjoined, restrained or in any way prevented by the order of any court or any administrative or regulatory agency from conducting all or any material part of its business and such order continues for more than thirty (30) days; or

(N) Invalidity of Factoring Documents. Any of the Factoring Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or any Factoring Facility Party denies that it has any further liability under any Factoring Documents to which it is party, or gives notice to such effect; or

(O) Failure of Security. Continental does not have or ceases to have a valid and perfected first priority security interest in the Collateral.

8.2 Suspension of Factoring Advances Facility. Upon the occurrence of any Default or Event of Default, notwithstanding any grace period or right to cure, Continental, without notice or demand, may immediately cease making additional Factoring Advances and the Factoring Advances Facility shall be suspended; provided that, in the case of a Default, if the subject condition or event is waived, cured or removed within any applicable grace or cure period, the Factoring Advances Facility shall be reinstated.

8.3 Acceleration. Upon the occurrence of any Event of Default described in the foregoing subsection 8.1(G), Continental shall immediately cease making additional Factoring Advances, and all Obligations shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by Client, and the Factoring Advances Facility shall thereupon terminate. Upon the occurrence and during the continuance of any other Event of Default, Continental may, upon notice to Client, immediately cease making additional Factoring Advances and declare all or any portion of the Obligations to be, and the same shall forthwith become, immediately due and payable and the Factoring Advances Facility shall thereupon terminate.

8.4 Remedies. If any Event of Default shall have occurred and be continuing, Continental may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC including the right to notify any or all obligors on the Accounts to make all payments directly to Continental or to take possession of any Collateral and to dispose of same at public or private sale, and Client will remain liable for any deficiency. Continental shall not be required to proceed against any Collateral but may proceed against Client directly. To the extent permitted by law, Client hereby specifically waives all rights of redemption, stay or appraisal, which it has or may have under any law now existing or hereafter enacted. All rights and remedies under the Factoring Documents are cumulative to, and not exclusive of, any rights or remedies otherwise available.

8.5 Appointment of Attorney-in-Fact. Client hereby constitutes and appoints Continental as the attorney-in-fact of Client with full authority in the place and stead of Client and in the name of Client, Continental or otherwise, from time to time in Continental's discretion to take any action and to execute any instrument that Continental may deem necessary or advisable to accomplish the purposes of this Agreement, including: (a) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for monies due and to become due under or in respect of any of the Collateral; (b) to adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any Account Debtor thereunder or allow any credit or discount thereon; (c) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (a) above; (d) to file any claims or take any action or institute any proceedings that Continental may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Continental with respect to any of the Collateral; and (e) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral. The appointment of Continental as the attorney of Client and Continental's rights and powers are coupled with an interest and are irrevocable until payment in full and complete performance of all of the Obligations and termination of this Agreement.

8.6 Limitation on Duty of Continental with Respect to Collateral. Beyond the safe custody thereof, Continental shall have no duty with respect to any Collateral in its possession or control (or in the possession or control of any agent or bailee) or with respect to any income thereon or the preservation of rights against prior parties or any other rights pertaining thereto. Continental shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Continental accords its own property. Continental shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by Continental in good faith.

8.7 Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied: first, to all fees, costs and expenses incurred by Continental with respect to this Agreement, the other Factoring Documents or the Collateral; second, to all fees due and owing to Continental; third, to accrued and unpaid interest on the Obligations (including any interest which but for the provisions of the Bankruptcy Code, would have accrued on such amounts); fourth, to the principal amounts of the Obligations outstanding; and fifth, to any other indebtedness or obligations of Client owing to Continental.

SECTION 9. MISCELLANEOUS

9.1 Assignments and Participations. Continental may assign or sell participation interest in its rights and delegate its obligations under this Agreement. In the case of an assignment authorized under this subsection 9.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were Continental hereunder. Continental shall be relieved of its obligations hereunder with respect to the Factoring Advances Facility or assigned portion thereof. Client hereby agrees that any assignment will give rise to a direct obligation of Client to the assignee and that the assignee shall be considered to be "Continental". Continental may furnish any information concerning Client in its possession from time to time to assignees and participants.

9.2 Set Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, Continental is hereby authorized by Client at any time or from time to time, without notice to Client or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of Client (regardless of whether such balances are then due to Client) and any other property at any time held or owing by Continental or that holder to or for the credit or for the account of Client against and on account of any of the Obligations which are not paid when due.

9.3 Expenses and Attorneys' Fees. Whether or not the transactions contemplated hereby shall be consummated, Client agrees to promptly pay all fees, costs and expenses incurred by Continental in connection with any matters contemplated by or arising out of this Agreement or the other Factoring Documents including the following, and all such fees, costs and expenses shall be part of the Obligations, payable on demand and secured by the Collateral: (a) fees, costs and expenses (including attorneys' fees and fees of environmental consultants, accountants and other professionals retained by Continental) incurred (i) in connection with the examination, review, due diligence investigation, documentation and closing of the transactions contemplated by the Factoring Documents and (ii) in connection with the review, negotiation, preparation, documentation, execution and administration of the Factoring Documents, the Factoring Advances, and any amendments, waivers, consents, forbearances and other modifications relating thereto or any subordination or Intercreditor agreements; (b) fees, costs and expenses incurred (i) in creating, perfecting and maintaining perfection of Liens in favor of Continental, including all lien search report fees and filing fees for all UCC financing statements and (ii) in connection with forwarding to Client the Factoring Advances, including, but not limited to, Continental's standard wire transfer fee; (c) fees, costs, expenses and bank charges, including bank charges for returned checks, incurred by Continental in establishing, maintaining and handling blocked accounts, any Accounts which are not Approved Accounts, or other accounts for collection of the Collateral and in connection with exchanges of checks; (d) fees, costs, expenses (including attorneys' fees) and costs of settlement incurred in collecting upon or enforcing rights against the Collateral or incurred in any action to enforce this Agreement or the other Factoring Documents or to collect any payments due from Client or any other Factoring Facility Party under this Agreement or any other Factoring Documents or incurred in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement, whether in the nature of a "workout" or in connection with any insolvency or bankruptcy proceedings or otherwise; and (e) fees, costs, expenses (including attorneys' fees) and costs of settlement, and any Contingent Expenses incurred by Continental on or after the Termination Date in connection with liquidating, releasing, or transferring the Collateral in accordance with this Agreement, the other Factoring Documents, or any executed agreements with third parties.

9.4 Indemnity. In addition to the payment of expenses pursuant to subsection 9.3, whether or not the transactions contemplated hereby shall be consummated, Client agrees to indemnify, pay and hold Continental and the officers, directors, employees, agents, affiliates and attorneys of Continental and such holders (collectively called the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto) that may be imposed on, incurred by, or asserted against that Indemnitee, in any manner relating to or arising out of this Agreement or the other Factoring Documents, the consummation of the transactions contemplated by this Agreement, an Avoidance Claim, the statements contained in the commitment letters, if any, delivered by Continental, Continental's agreement to make the Factoring Advances hereunder, the use or intended use of the proceeds of any of the Factoring Advances or the exercise of any right or remedy hereunder or under the other Factoring Documents (the "Indemnified Liabilities"); provided that Client shall have no obligation to an Indemnitee hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction.

9.5 Amendments and Waivers. This Agreement together with the other Factoring Documents constitutes the entire agreement between Continental and Client, and no amendment, modification, termination or waiver of any provision of this Agreement or of the other Factoring Documents, or consent to any departure by Client therefrom, shall be effective unless the same shall be in writing and signed by Continental and Client. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

9.6 Notices. Unless otherwise specifically provided herein, all notices shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or United States mail and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by telecopy, on the date of transmission if confirmed and if transmitted on a Business Day before 4:00 p.m. (Los Angeles time) or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, two (2) Business Days after delivery to such courier properly addressed; or (d) if by U.S. Mail, four Business Days after depositing in the United States mail, with postage prepaid and properly addressed. Email notices are provided as a courtesy to either party and are not considered as formal personal service, and only the methods outlined hereinabove shall be considered formal service for purposes of this Agreement.

If to Client:

Three Dots, LLC
7340 Lampson Avenue
Garden Grove, CA 92841
Attn.: Sharon Lebon, President
Email: slebon3dot@aol.com

If to Continental:

MBMJ Capital LLC
15503 Ventura Boulevard, Suite 310
Encino, CA 91436-3103
Attn.: Matthew R. Begley, Chief Executive Officer
Email: mbegley@cbcredit.com

or to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this subsection 9.6.

9.7 Survival of Warranties and Certain Agreements. All agreements, representations, and warranties made herein shall survive the execution and delivery of this Agreement and the making of the Factoring Advances. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of Client set forth in subsections 9.3 and 9.4 shall survive the payment of the Factoring Advances and the termination of this Agreement.

9.8 Indulgence Not Waiver. No failure or delay on the part of Continental in the exercise of any power, right or privilege hereunder, shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

9.9 Marshaling; Payments Set Aside. Continental shall not be under any obligation to marshal any assets in favor of any Factoring Facility Party or any other party or against or in payment of any or all of the Obligations. To the extent that any Factoring Facility Party makes a payment or payments to Continental or Continental enforces its security interests or exercise its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

9.10 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

9.11 Severability. The invalidity, illegality or unenforceability in any jurisdiction of any provision in or obligation under this Agreement or the other Factoring Documents shall not affect or impair the validity, legality or enforceability of the remaining provisions or obligations under this Agreement, or the other Factoring Documents or of such provision or obligation in any other jurisdiction.

9.12 Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

9.13 Continental Licenses. Continental conducts its business under California Department of Business Oversight license number 603 H994.

9.14 Applicable Law. *This Agreement and the Factoring Documents shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the state of California, without regard to conflicts of law principles.*

9.15 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns except that Client may not assign its rights or obligations hereunder without the written consent of Continental.

9.16 No Fiduciary Relationship. No provision in this Agreement or in any of the other Factoring Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty by Continental to Client.

9.17 Consent to Jurisdiction and Waiver of Personal Service. *Client hereby consents to the jurisdiction of any state or federal court located within the county of Los Angeles, state of California and irrevocably agrees that, subject to Continental's election, all actions or proceedings arising out of or relating to this Agreement and the other Factoring Documents shall be litigated in such courts. Client accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and waives any defense of forum non conveniens, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement and the other Factoring Documents or the Obligations. Client hereby waives personal service of any and all process.*

9.18 Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopy or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telecopy or electronic mail also shall deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

9.19 Entire Agreement. The parties intend this Agreement and the other Factoring Documents as a final expression of their agreement and as a complete statement of the terms and conditions of their agreement. This Agreement and the other Factoring Documents supersede any prior agreements, whether written or oral, with respect to the transactions contemplated by the Factoring Documents.

9.20 WAIVER OF JURY TRIAL. **CLIENT AND CONTINENTAL HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE OTHER FACTORING DOCUMENTS. CLIENT AND CONTINENTAL ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER FACTORING DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. CLIENT AND CONTINENTAL FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.**

9.21 **Judicial Reference.** (a) The parties prefer that any dispute between them be resolved in litigation subject to a Jury Trial Waiver as set forth in Section 9.20 herein, but the California Supreme Court has held that such pre-dispute jury trial waivers are unenforceable. This Section will be applicable until: (i) the California Supreme Court holds that a pre-dispute jury trial waiver provision similar to that contained in Section 9.20 herein is valid or enforceable; or (ii) the California Legislature passes legislation and the governor of the State of California signs into law a statute authorizing pre-dispute jury trial waivers and as a result such waivers become enforceable. (b) Other than (i) non-judicial foreclosure of security interests in real or personal property, (ii) the appointment of a receiver or (iii) the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law), any controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Agreement or any other Factoring Documents, will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure ("CCP"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Venue for the reference proceeding will be in the Superior Court or Federal District Court in Los Angeles County, California (the "Court"). (c) The referee shall be a retired Judge or Justice selected by mutual written agreement of the parties. If the parties do not agree, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an *ex parte* or expedited basis, and the parties agree that irreparable harm would result if *ex parte* relief is not granted. The referee shall be appointed to sit with all the powers provided by law. Pending appointment of the referee, the Court has power to issue temporary or provisional remedies. (d) The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (a) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (b) if practicable, try all issues of law or fact within ninety (90) days after the date of the conference and (c) report a statement of decision within twenty (20) days after the matter has been submitted for decision. (e) The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding. (f) Except as expressly set forth in this Agreement, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial. (g) The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the State of California will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a trial, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision pursuant to CCP §644 the referee's decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court. The final judgment or order or from any appealable decision or order entered by the referee shall be fully appealable as provided by law. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision. (h) If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge or Justice, in accordance with the California Arbitration Act §1280 through §1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding. (i) **THE PARTIES RECOGNIZE AND AGREE THAT ALL DISPUTES RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY DISPUTE BETWEEN THEM WHICH ARISES OUT OF OR IS RELATED TO THIS AGREEMENT OR THE FACTORING DOCUMENTS.**

CLIENT FURTHER REPRESENTS THAT THEY HAVE HAD THE OPPORTUNITY TO REVIEW THIS AGREEMENT WITH INDEPENDANT LEGAL COUNSEL OR OTHER PROFESSIONALS. CLIENT KNOWINGLY AND VOLUNTARILY ENTERS INTO THIS AGREEMENT FOLLOWING THE OPPORTUNITY TO SEEK ASSISTANCE, REVIEW OR CONSULTATION WITH LEGAL COUNSEL.

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

THREE DOTS, LLC (a California limited liability company)

By: Sharon Lebon
Sharon Lebon, President

MBMJ CAPITAL LLC doing business as
CONTINENTAL BUSINESS CREDIT

By: W. Bealy Title: CEO