

03-17-2008

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

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office



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

3-14-08

1. Name of conveying party(ies):

Red Chamber Co.
1912 E. Vernon Avenue
Vernon, CA 90058

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation- State: California
- Other _____

Citizenship (see guidelines) _____

Additional names of conveying parties attached? Yes No

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: East West Bank
Internal
Address: Loan Service
Street Address: 9300 Flair Drive, 6th Floor
City: El Monte
State: CA
Country: USA Zip: 91731

- Association Citizenship _____
- General Partnership Citizenship _____
- Limited Partnership Citizenship _____
- Corporation Citizenship _____
- Other _____ Citizenship _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)

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

Execution Date(s) 11-30-2005 as amended

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

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

A. Trademark Application No.(s)

78903039

B. Trademark Registration No.(s)

Additional sheet(s) attached? Yes No

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

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

Name: Flor Rodriguez

Internal Address: Loan Documentation

Loan #3800785

Street Address: 9300 Flair Drive, 6th Floor

City: EL MONTE

State: CA Zip: 91731

Phone Number: 626-371-8665

Fax Number: 626-927-2090

Email Address: frdriguez@eastwestbank.com

6. Total number of applications and registrations involved:

42

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 40.00

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

8. Payment Information:

- a. Credit Card Last 4 Numbers _____
Expiration Date 03/14/2008 DBYRNE 00000051 78903039
- b. Deposit Account Number _____
Authorized User Name _____

9. Signature:

Flor Rodriguez
Signature

3-10-08
Date

Flor Rodriguez
Name of Person Signing

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

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

FIRST AMENDMENT TO 2005 AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO 2005 AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Agreement") is made and entered into as of November __, 2006, by, between and among EAST WEST BANK ("EWB"), UNITED OVERSEAS BANK LIMITED ("UOB" and together with EWB individually, a "Bank" and collectively, "Banks"), H.L. FOODSERVICE, INC., a California corporation ("Foodservice"), and RED CHAMBER CO., a California corporation ("Borrower").

RECITALS

This Agreement is made and entered into on the basis of the following facts and understandings of the parties hereto:

A. On or about November 30, 2005, Borrower and Banks executed that 2005 Amended and Restated Loan and Security Agreement, dated as of November 30, 2005 ("Loan Agreement").

B. In connection with the execution of the Loan Agreement, HLF and Banks executed that 2005 Security Agreement dated as of November 30, 2005 ("HLF Security Agreement").

C. In connection with the Loan Agreement, Borrower executed to the order of UOB that 2005 Promissory Original Note dated November 30, 2005, in the original principal amount of \$14,400,000 ("UOB Original Note").

D. In connection with the execution of the Loan Agreement, Borrower executed to the order of EWB that 2005 Promissory Original Note stated November 30, 2005, in the original principal amount of \$9,600,000 ("EWB Original Note").

E. Borrower has requested that Banks extend the maturity date of the Loan Agreement and the Original Notes, to September 30, 2008, and increase the maximum amount available thereunder to \$27,000,000.

F. Banks are willing to undertake the obligations expressly required of it under this Agreement without incurring any other obligations of any kind whatsoever whether to Borrower, any of the Guarantors or any other person or entity.

AGREEMENT

NOW THEREFORE, in consideration of their mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree to modify the Loan Agreement and Notes as follows:

1. Conditions Precedent. The obligations of Banks under this Agreement are subject to the satisfaction of each and every one of the following conditions precedent:

- A. This Agreement executed by Borrower and HLF has been delivered to Banks.
- B. Borrower shall have executed and delivered to UOB that 2006 Promissory Note dated as of the date hereof in the original principal amount of \$14,850,000 ("2006 UOB Note").
- C. Borrower shall have executed and delivered to EWB that 2006 Promissory Note dated as of the date hereof in the original principal amount of \$12,150,000 ("2006 EWB Note").
- D. MPI Fisheries, Inc., Singleton Fisheries, Inc. and each Guarantor shall have executed and delivered to Banks that 2006 Joint and Several Guaranty dated as of the date hereof.
- E. Banks shall have received, in cash or immediately available funds, reimbursement of all of Banks' out-of-pocket costs and expenses, including without limitation attorneys' fees, incurred in the negotiation and preparation of this Agreement.

2. Replacement of Notes. The Original UOB Note is hereby amended and restated in full pursuant to the 2006 UOB Note. The Original EWB Note is hereby amended and restated in full pursuant to the 2006 EWB Note.

3. Modifications to Loan Agreement. The Loan Agreement is modified as follows:

- A. The Loan Agreement is amended by deleting Section 1.2 therefrom.
- B. Section 1.5 of the Loan Agreement is hereby amended and restated in full as follows:

1.15 The term "Banks" shall mean, collectively, United Overseas Bank Limited, located at 777 South Figueroa Street, Suite 518, Los Angeles, California 90017, Attention: Hoong Chen, First Vice President and General Manager; and East West Bank, a California banking corporation located at 135 N. Los Robles Ave., Suite 600, Pasadena, CA 91101, Attention: Andy Yen, Executive Vice President.

- C. Section 1.8 of the Loan Agreement is hereby amended and restated in full as follows:

"1.8 The term "Borrowing Base" means, at any time, the sum of (1) an amount equal to 85% of the aggregate balance of seafood Eligible Accounts owed by parties other than Affiliates; (2) an amount equal to 85% of the aggregate balance of non-seafood grocery Eligible Accounts owed by parties other than Affiliates and pledged by H.L. Foodservice, Inc.; and (3) an amount equal to

the lesser of (a) \$11,000,000.00 or (b) the sum of: (i) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Fisherman's Pride Processors, Inc., or (B) \$4,000,000.00; (ii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Admiralty Island Fisheries Inc., doing business as Aqua Star, or otherwise or (B) \$2,700,000.00; (iii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Tampa Bay Fisheries Inc., or (B) \$4,200,000.00; (iv) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by International Gourmet Fisheries, Inc. dba Mid-Pacific Seafoods or Vernon Seafoods, or otherwise or (B) \$1,500,000.00; (v) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by H.L. Foodservice, Inc. or (B) \$300,000.00; (vi) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by H.L. Foods Co. or (B) \$200,000.00; (vii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Kitchen of the Oceans or (B) \$500,000.00, (viii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Singleton Fisheries, Inc., a Florida corporation or (B) \$1,200,000.00, and (ix) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by MPI Fisheries, inc., a California corporation or (B) \$800,000.00. No amounts owing from any other Affiliates shall be included in the Borrowing Base without the prior written consent of Banks, in their sole discretion."

D. Section 1.15 of the Loan Agreement is hereby amended and restated in full as follows:

1.15 The term "Commitment Amount" shall mean, as applicable, (i) with respect to United Overseas Bank Limited, the sum of Fourteen Million Eight Hundred Fifty Thousand Dollars (\$14,850,000.00); or (ii) with respect to East West Bank, the sum of Twelve Million One Hundred Fifty Thousand Dollars (\$12,150,000.00).

E. Section 1.26 of the Loan Agreement is hereby amended and restated in full as follows:

"1.26 The term "Guarantors" means, collectively, Ming Bin Kou, Ming Shin Kou, Tampa Bay Fisheries, Inc., R.C.C.I, Fisherman's Pride Processors, Inc., H.L. Foodservice, Inc., Admiralty Island Fisheries, Inc., dba Aqua Star, International Gourmet Fisheries dba Mid-Pacific Seafoods and/or Vernon Seafoods, Singleton Fisheries, Inc. and MPI Fisheries, Inc."

F. Section 1.27 of the Loan Agreement is hereby amended and restated in full as follows:

"1.27 The term "Guaranty" means the 2006 Joint and Several Guaranty dated as of November __, 2006 executed by the Guarantors in favor of the Banks.

G. Section 1.41 of the Loan Agreement is hereby amended and restated in full as follows:

"1.27 The term "Pro Rata Share" shall mean, as applicable, (i) with respect to United Overseas Bank Limited, 55%; or (ii) with respect to East West Bank, 45%.

H. The Loan Agreement is amended by deleting the date "September 30, 2006" wherever it appears therein and replacing it with the date "September 30, 2008.

I. The Loan Agreement is amended by adding thereto the following new sections:

"1.19A The term "Effective Net Worth" means Tangible Net Worth plus subordinated debt to shareholders."

"1.44 The term "Tangible Net Worth" means total assets less liabilities less intangible assets.

J. Section 6.16 of the Loan Agreement is hereby amended and restated in full as follows:

"6.16 Financial Covenants

A. Borrower shall maintain at all times:

(i) A ratio of Debt to Effective Net Worth of not more than 4.0 to 1.0;

(ii) Effective Net Worth of not less than Twenty Five Million Dollars (\$25,000,000.00);

(iii) A Current Ratio of not less than 1.25 to 1.0; and

(iv) A Dilution Ratio of no more than five percent (5%)."

B. Borrower shall maintain on March 31, 2007, and at all times thereafter Tangible Net Worth of not less than Twenty Five Million Dollars (\$25,000,000.00)."

K. A new 6.4(t) is added to the Loan Agreement to read as follows:

"(t) Have less than \$1,000,000 of subordinated debt owing to shareholders of Borrower."

4. Security. The Notes and Loan Agreement, as modified by this Agreement, remain secured by the HLF Security Agreement.

5. Miscellaneous

A. Indemnification. Borrower agrees to hold Banks harmless from and indemnify and defend Banks from any liability, claim, loss or expense (including, but not limited to, attorneys' fees) arising from any suit by any person against Banks resulting or arising from such person's dealings with Borrower.

B. Waiver of Jury Trial. BORROWER AND BANKS EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. BORROWER AND BANKS EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND ANY OF THE LOAN DOCUMENTS.

C. Reliance. Each warranty, representation, covenant, obligation and agreement contained in this Agreement shall be conclusively presumed to have been relied upon by Banks regardless of any investigation made or information by Banks and shall be cumulative and in addition to any other warranties, representations, covenants and agreements which Borrower now or hereafter shall give, or cause to be given, to Banks.

D. Attorneys' Fees. Borrower agrees to pay to Banks the actual amount of attorneys' fees incurred by Banks, as reimbursement of Banks' out-of-pocket fees and expenses incurred, in connection with the negotiation and preparation of the Agreement.

E. Waiver. Neither the failure nor delay by Banks in exercising any right hereunder or under any document, instrument or agreement mentioned herein shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder or under any other document, instrument or agreement mentioned herein preclude other or further exercise thereof or the exercise of any other right; nor shall any waiver of any right or default hereunder, or under any other document, instrument or agreement mentioned herein, constitute a waiver of any other right or default or constitute a waiver of any other default of the same or any other term or provision.

F. Conflicting Provisions. To the extent the provisions contained in this Agreement are inconsistent with those contained in any other document, instrument or agreement executed pursuant hereto, the terms and provisions contained herein shall control. Otherwise,

such provisions shall be considered cumulative. Unless expressly modified herein, the language and conditions of the Loan Agreement, Notes and other Loan Documents, as modified in writing prior hereto, will stand.

G. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of Borrower, HLF and Banks and their respective successors and assigns, except that Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of Banks. Banks may sell, assign or grant participation in all or any portion of its rights and benefits hereunder. Borrower agrees that, in connection with any such sale, grant or assignment, Banks may deliver to the prospective buyer, participant or assignee financial statements and other relevant information relating to Borrower and HLF.

H. Jurisdiction. This Agreement and any documents, instruments or agreements mentioned or referred to herein shall be governed by and construed according to the laws of the State of California, to the jurisdiction of whose courts the parties hereby submit.


I. Headings. The headings herein set forth are solely for the purpose of identification and have no legal significance.

J. Entire Agreement. The Loan Agreement, HLF Security Agreement, and Original Notes, as modified by this Agreement, and all documents, instruments and agreements mentioned in the Loan Agreement constitute the entire and complete understanding of the parties with respect to the transactions contemplated hereunder. Except as modified by this Agreement each of the Loan Agreement, HLF, Security Agreement, and Notes, remain in full and effect in accordance with their express written terms. All previous conversations, memoranda and writings between the parties pertaining to the transactions contemplated hereunder not incorporated or referenced in this Agreement or in such documents, instruments and agreements are superseded hereby.


IN WITNESS WHEREOF, Borrower, HLF and Banks have executed and delivered this Agreement as of the dated indicated in the first paragraph of this Agreement.

"BORROWER"

RED CHAMBER CO.

By: 
Ming Bin Kou
President and CEO




By: 
Ming Shin Kou
COO/CFO/Secretary

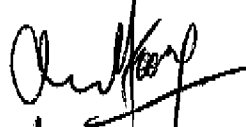


"BANKS"

EAST WEST BANK

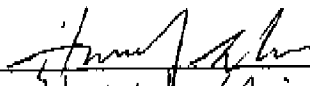
By: 
VICE PRESIDENT
Commercial Loan Officer

UNITED OVERSEAS BANK LIMITED

By: 
Francis Chan
FVP & General Manager

"1

H.L. FOODSERVICE, INC.,
a California corporation

By: 
Name: Donald G. Gaci
Title: President

Address: _____

2005 LOAN AND SECURITY AGREEMENT

THIS 2005 LOAN AND SECURITY AGREEMENT ("Agreement"), dated as of November 30, 2005, is entered into among Banks and Borrower as defined below, and amends and restates that certain 2004 Loan and Security Agreement, dated as of November 30, 2004, among United Overseas Bank Limited ("UOB"), United National Bank ("UNB") and Borrower, as amended by (a) that Change in Terms Agreement dated as of April 1, 2005, between UNB and Borrower, and (b) that Change in Terms Agreement dated as of June 1, 2005, between UNB and Borrower. EAST WEST BANK, a California banking corporation ("EWB") is the successor in interest to UNB.

The parties agree as follows

1 DEFINITIONS

As used in this Agreement, the following terms shall have the following definitions

1.1 The term "Accounts" means and includes all presently existing and hereafter arising accounts, contract rights, instruments, notes, drafts, documents, chattel paper, and all other forms of obligations owing to Borrower or H L Foodservice Inc arising out of the sale or lease of goods or the rendition of services by Borrower or H L Foodservice Inc, whether or not earned by performance, and any and all credit insurance, guaranties and other security therefor, as well as all merchandise returned to or reclaimed by Borrower or H L Foodservice Inc and Borrower's or H L Foodservice Inc's Books (except minute books) relating to any of the foregoing

1.2 The term "Adjusted Net Worth" means net worth determined in accordance with GAAP plus the aggregate amount of loans payable by the Borrower to its shareholders which are subordinated to Borrower's Obligations to the Banks pursuant to a written subordination agreement in form and substance satisfactory to Banks

1.3 The term "Affiliates" means any company which directly or indirectly controls the Borrower, is controlled by the Borrower, is under common control with the Borrower or has common officers or directors with Borrower. For the purposes hereof control means ownership of 5% or more of the stock of the Borrower or the controlled company,

1.4 The term "this Agreement" means and includes this 2005 Loan and Security Agreement, any concurrent or subsequent rider to this 2005 Loan and Security Agreement, and any extensions, supplements, amendments or modifications to this 2005 Loan and Security Agreement and/or to any such rider

1.5 The term "Banks" shall mean, collectively, United Overseas Bank Limited, located at 777 South Figueroa Street, Suite 518, Los Angeles, California 90017, Attention Hoong Chen, First Vice President and General Manager, and East West Bank, a California banking corporation located at 2090 Huntington Drive, San Marino, California 91108, Attention Andy Yen, Executive Vice President

16 The term "Bank Expenses" means and includes all costs or expenses required to be paid by Borrower under this Agreement which are paid or advanced by any Bank, taxes and insurance premiums of every nature and kind of Borrower paid or advanced by any Bank, filing, recording, publication and search fees paid or incurred by any Bank in connection with such Bank's transactions with Borrower, costs and expenses incurred by any Bank in collecting the Accounts (with or without suit), to correct any default or enforce any provision of this Agreement, or in gaining possession or maintaining, handling, preserving, storing, shipping, appraising, selling, preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated, costs and expenses of suit insured by any Bank in enforcing or defending this Agreement or any portion hereof, and reasonable attorneys' fees and expenses incurred by any Bank in advising, structuring, drafting, reviewing, amending, terminating, enforcing, defending or concerning this Agreement, or any portion hereof or any agreement related hereto, whether or not suit is brought

17 The term "Borrower" shall mean and refer to Red Chamber Co, a California corporation, with its chief executive office or principal place of business located at 1912 East Vernon Avenue, Vernon, California, 90058

18 The term "Borrowing Base" means, at any time, the sum of (1) an amount equal to 85% of the aggregate balance of seafood Eligible Accounts owed by parties other than Affiliates, (2) an amount equal to 85% of the aggregate balance of non-seafood grocery Eligible Accounts owed by parties other than Affiliates and pledged by H L Foodservice, Inc, and (3) an amount equal to the lesser of (a) \$9,000,000 00 or (b) the sum of (i) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Fisherman's Pride Processors, Inc, or (B) \$4,000,000 00, (ii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Admiralty Island Fisheries Inc, doing business as Aqua Star, or otherwise or (B) \$2,700,000 00, (iii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Tampa Bay Fisheries Inc, or (B) \$4,200,000 00, (iv) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by International Gourmet Fisheries, Inc dba Mid-Pacific Seafoods or Vernon Seafoods, or otherwise or (B) \$1,500,000 00, (v) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by H L Foodservice, Inc or (B) \$300,000 00, (vi) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by H L Foods Co or (B) \$200,000 00, and (vii) the lesser of (A) an amount equal to 80% of the aggregate balance of Eligible Accounts owed by Kitchen of the Oceans or (B) \$500,000 00 No amounts owing from any other Affiliates shall be included in the Borrowing Base without the prior written consent of Banks, in their sole discretion

19 The term "Borrower's Books" means and includes all of Borrower's and H L Foodservice Inc 's books and records including, but not limited to minute books, ledgers, records indicating, summarizing or evidencing Borrower's or H L Foodservice Inc 's, as the case may be, assets, liabilities, the Accounts and all information relating thereto, records indicating, summarizing or evidencing Borrower's or H L Foodservice Inc 's, as the case may be, business operations or financial condition, and all computer programs, disc or tape files, printouts, runs, and other computer prepared information and the equipment containing such information

1 10 The term "Business Day" means any day (other than a Saturday or Sunday) on which banks in Los Angeles, California are not authorized or required to close

1 11 The term "Cash Flow Ratio" means, for any period, the quotient of (a) Borrower's Net Profit After Taxes on an annualized basis, increased by depreciation, divided by (b) the sum of all payments of principal, interest and other amounts with respect to Debt payable and leases coming due in the twelve months following the date of measurement. Borrower's depreciation and debt amortization shall be determined in accordance with GAAP

1 12 The term "the Code" means the California Uniform Commercial Code, as amended, restated or otherwise modified from time to time, and any and all terms used in this Agreement which are defined in the Code shall be construed and defined in accordance with the meaning and definition ascribed to such terms under the Code

1 13 The term "Collateral" means and includes each and all of the following: the Accounts, the Equipment, the General Intangibles, the Negotiable Collateral, the Inventory, any money, deposit accounts or other assets of Borrower in which any Bank receives a security interest or which hereafter come into the possession, custody or control of any Bank, and the proceeds of any of the foregoing, including but not limited to, proceeds of insurance covering the Collateral and any and all Accounts, General Intangibles, Negotiable Collateral, Inventory, Equipment, money, deposit accounts or other tangible and intangible property of Borrower resulting from the sale or other disposition of the Collateral, or any portion thereof or interest therein, and the proceeds thereof

1 14 The term "Collateral Account" shall have the meaning set forth in Section 2.6 of this Agreement

1 15 The term "Commitment Amount" shall mean, as applicable, (i) with respect to United Overseas Bank Limited, the sum of Fourteen Million Four Hundred Thousand Dollars (\$14,400,000.00), or (ii) with respect to East West Bank, the sum of Nine Million Six Hundred Thousand Dollars (\$9,600,000.00)

1 16 The term "Current Ratio" means, for any period, the quotient of Borrower's current assets divided by Borrower's current liabilities. Current assets means and refers to cash and other assets expected to be realized in cash, sold or consumed within one year, or during the operational cycle of Borrower, whichever is longer, and "current liabilities" means those obligations whose liquidation is reasonably expected to require the use of existing resources classified as current assets or the creation of other current liabilities, and current assets and current liabilities shall both be determined in accordance with GAAP

1 17 The term "Daily Balances" shall mean the amount determined by taking the amount of the Obligations owed at the beginning of a given day, adding any new obligations advanced or incurred on such date, and subtracting any payments or collections which are deemed to be paid on that date under the provisions of this Agreement

1 18 The term "Debt" means and includes all of Borrower's debts and liabilities as determined in accordance with GAAP

1 19 The term "Dilution Ratio" means the aggregate amount of all non-cash credits diluting gross sales measured as a percentage of gross sales

1 20 The term "Eligible Accounts" means and includes those Accounts which contain selling terms of net ninety (90) days, or less, from the date of invoice, have been validly assigned to Banks and strictly comply with all of Borrower's warranties and representations to Banks, provided however, that Eligible Accounts shall not include the following (a) Accounts with respect to which the account debtor is an officer, employee or agent of Borrower (other than Affiliates), (b) Accounts with respect to which goods are placed on consignment, guaranteed sale or other terms by reason of which the payment by the account debtor may be conditional, (c) Accounts with respect to which the account debtor is not a resident of the United States, (d) Accounts with respect to which the account debtor is the United States or any department, agency or instrumentality of the United States, (e) Accounts with respect to which the account debtor is any State of the United States or any city, town, municipality or division thereof, (f) Accounts with respect to which Borrower will offset against the amount that Borrower is or may become liable to the account debtor for goods sold or services rendered by the account debtor to Borrower, (g) that portion of the Accounts of debtor which will be credited by credit memos, whether processed or not, (h) Accounts for which more than 90 days have passed since the date of invoice, and (i) Accounts ineligible under Section 2.8 of this Agreement

1 21 The term "Equipment" means and includes all of Borrower's present and hereafter acquired machinery, machine tools, equipment, fixtures, office equipment, furniture, furnishings, motors, motor vehicles, tools, dies, parts, jigs, goods, (including, without limitation, each of the items of equipment set forth on any schedule which is either now or in the future attached hereto) and any and all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, wherever located

1 22 The term "Event of Default" means the occurrence of any one of the events set forth in Section 7 of this Agreement

1 23 The term "Fee" shall have the meaning set forth in Section 2.5 of this Agreement

1 24 The term "GAAP" means generally accepted accounting principles consistently applied

1 25 The term "General Intangibles" means and includes all of Borrower's present and future general intangibles and other personal property (including, without limitation, any and all chosen or things in action, goodwill, patents, trade names, trademarks, blueprints, drawings, purchase orders, computer programs, computer discs, computer tapes, literature, reports, catalogs, deposit accounts and tax refunds) other than goods and Accounts, as well as Borrower's Books relating to any of the foregoing

1 26 The term "Guarantors" means, collectively, Ming Bin Kou, Ming Shin Kou, Tampa Bay Fisheries, Inc, R C C I, Fisherman's Pride Processors, Inc, H L Foodservice, Inc, Admiralty Island Fisheries, Inc, dba Aqua Star, International Gourmet Fisheries dba Mid-Pacific Seafoods and/or Vernon Seafoods

1 27 The term "Guaranty" means the 2005 Joint and Several Guaranty dated as of November __, 2005 executed by the Guarantors in favor of the Banks

1 28 The term "Initial Term" shall have the definition set forth in Section 3.1 of this Agreement

1 29 The term "Insolvency Proceeding" means and includes any proceeding commenced by or against Borrower, or any other person or entity, under any provision of the federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions or extensions with some or all creditors,

1 30 The term "Intercreditor Agreement" means that certain Third Amended and Restated Intercreditor Agreement dated as of October 2001, among Overseas Union Bank Limited, Los Angeles Agency, United National Bank, Cathay Bank, General Bank and Chinatrust Bank (U S A), as amended by that (a) First Amendment to Third Amended and Restated Intercreditor Agreement dated as of December 13, 2002, among United Overseas Bank Limited, Los Angeles Agency, United National Bank, Cathay Bank, General Bank and Chinatrust Bank (U S A) and Krung Thai Bank Public Company Ltd, (b) Second Amendment to Third Amended and Restated Intercreditor Agreement dated as of September 29, 2004, among United Overseas Bank Limited, Los Angeles Agency, United National Bank, Cathay Bank, Chinatrust Bank (U S A), Far East National Bank and Krung Thai Bank Public Company Ltd and (c) that Third Amendment to Third Amended and Restated Intercreditor Agreement dated as of November 29, 2004, among United Overseas Bank Limited, Los Angeles Agency, United National Bank, Cathay Bank, Far East National Bank and Krung Thai Bank Public Company Ltd, and (d) as the same may be further amended, modified or supplemented

1 31 The term "Inventory" means and includes all present and future inventory in which Borrower has any interest, including, but not limited to, goods, machinery and equipment held by Borrower for sale or lease or to be furnished under a contract of service and all of Borrower'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

1 32 The term "Judicial Officer or Assignee" means and includes any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any other person or entity having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian or assignee for the benefit of creditors

1 33 The term "Liens" means any voluntary or involuntary security interest, mortgage, pledge, claim, charge, encumbrance, title retention agreement or third party interest covering the Collateral or any portion of the Collateral

1 34 The term "Loan Documents" means this Agreement, the Notes, the Guaranty and every other agreement, document or instrument executed in connection herewith or therewith

1 35 The term "Negotiable Collateral" shall have the meaning set forth in Section 4.1 of this Agreement

1 36 The term "Net Profit After Taxes" means, for any period in question, Borrower's net operating income, less extraordinary items and less income taxes, each determined in accordance with GAAP

1 37 The term "Notes" means, collectively, the respective promissory notes executed by Borrower in favor of each of the Banks in connection with this Agreement

1 38 The term "Obligations" means and includes any and all loans, advances, overdrafts, debts, liabilities (including, without limitation, any and all amounts charged to Borrower's account pursuant to any agreement authorizing any Bank to charge Borrower's account), obligations, lease payments, guaranties, covenants and duties owing by Borrower to any Bank of any kind and description (whether advanced pursuant to or evidenced by this Agreement, by any Note or other instrument, or by any other agreement between any Bank and Borrower and whether or not for the payment of money), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including, without limitation, any debt, liability or obligation owing from Borrower to others which any Bank may have obtained by assignment or otherwise, and further including, without limitation, all interest not paid when due and all Bank Expenses which Borrower is required to pay or reimburse by this Agreement, by law, or otherwise, provided, however that the term "Obligations" shall not include or be deemed to include any indebtedness of Borrower to any Bank which is, at the time of its creation, subject to the provisions of any state or federal consumer credit or truth-in-lending disclosure statute or regulation, nor shall the term "Obligations" include or be deemed to include any indebtedness of Borrower to any Bank which does not arise pursuant to this Agreement and which is secured by real property, unless the note or other evidence of such indebtedness specifically states that it is secured by the security interests granted in this Agreement

1 39 The term "Over Advance" shall have the meaning set forth in Section 2.2 of this Agreement,

1 40 The term "Prime Rate" shall mean the variable rate of interest, per annum, most recently announced by either JP Morgan Chase Bank in New York, New York or Bank of America, N A in Los Angeles, California (at the option of each Bank) as the "Prime Rate", with the understanding that "Prime Rate" is one of such bank's index rates and merely serves as a basis upon which effective rates of interest are calculated for loans making reference thereto and may not be the lowest or best rate at which such bank calculates interest or extends credit

1 41 The term "Pro Rata Share" shall mean, as applicable, (i) with respect to United Overseas Bank Limited, 60%, or (ii) with respect to East West Bank, 40%

1 42 The term "Quick Ratio" means, for any period, the quotient of Borrower's current assets reduced by prepaid expenses and monies due from Affiliates divided by Borrower's current liabilities, all to be determined in accordance with GAAP

1 43 The term "Rate" shall have the meaning set forth in Section 2.4 of this Agreement

1 44 The term "Request for Advance" shall have the meaning set forth in Section 2.3 of this Agreement

2 LOANS AND TERMS OF PAYMENT

2 1 Loans

(a) Upon the request of Borrower, made at any time and from time to time during the term hereof, and so long as no event that, with notice or the passage of time or both, would constitute an Event of Default shall have occurred and shall be continuing and no Event of Default shall have occurred under this Agreement, each Bank severally agrees to lend to Borrower its Pro Rata Share of advances that may be requested by Borrower in accordance with the terms hereof from time to time, provided, however, that in no event shall a Bank be obligated to make advances to Borrower under this Section 2.1 to the extent that the aggregate amount of outstanding advances made and advances requested to be made by such Bank pursuant to this Section 2.1 exceeds or would exceed, at any one time, such Bank's Commitment Amount

(b) Notwithstanding any other provision of this Agreement, in no event shall the Banks be obligated to make advances to Borrower under this Section 2.1 to the extent that the aggregate amount of outstanding advances made and advances requested to be made by the Banks pursuant to this Section 2.1 exceeds or would exceed, at any one time, the Borrowing Base

2 2 Over Advances All advances made pursuant to Section 2.1 shall be added to and deemed part of the Obligations when made. If, at any time and for any reason, the amount of advances made pursuant to Section 2.1 exceeds the limitations with respect to any Bank set forth in Section 2.1(a) or the limitation with respect to all Banks set forth in Section 2.1(b) (in either case, an "Over Advance"), then Borrower, upon such Bank's election and demand, shall immediately pay to such Bank, in cash, the amount of such Over Advance (in the event that the limitations under Section 2.1(a) have been exceeded) or its Pro Rata Share of such Over Advance (in the event that the limitations under Section 2.1(b) have been exceeded)

2 3 Authorization to Make Advances Borrower shall request an advance from the Banks by delivering to East West Bank an original or facsimile transmission of a completed "Request for Advance" (a "Request for Advance") substantially in the form of Exhibit A attached hereto and incorporated herein by reference. East West Bank shall promptly send a copy of any Request for Advance received by it to each of the other Banks. If a Request for Advance is sent to East West Bank by facsimile transmission, then the original of such Request for Advance must be received by East West Bank on the next Business Day. Each Request for Advance shall be executed by an officer of Borrower authorized to sign a Request for Advance by a duly adopted resolution accepted by the Banks. Each Request for Advance shall incorporate by reference the most recent of each of the weekly reports required to be delivered pursuant to Exhibit B attached hereto and incorporated herein by reference, each of which reports shall be certified by the Chief Financial Officer or other financial officer of

Borrower acceptable to each Bank, as being complete and correct and not misleading. A Request for Advance must be received one Business Day prior to the funding of the advance. A Request for Advance received after 1 00 P M Pacific Time on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. Borrower shall not be allowed to draw more than two advances during any week.

2.4 Interest. All Obligations owed by Borrower to a Bank hereunder shall bear interest, on the Daily Balances owing, at a rate per annum (the "Rate") equal to one-half (1/2) of a percentage point below the Prime Rate.

Without affecting Borrower's obligation to immediately repay to Bank the amount of any and all Over Advances in accordance with the provisions of Section 2.2 of this Agreement, and notwithstanding the foregoing provisions of this Section 2.4, any and all Over Advances owing to any Bank shall bear interest, on the Daily Balance's owing, at five (5) percentage points above the Rate. All Obligations owed by Borrower to any Bank shall bear interest, from and after the occurrence of an Event of Default by Borrower under this Agreement and without constituting a waiver of any such Event of Default, on the Daily Balances owing, at a rate ten (10) percentage points above the Rate.

The rate of interest charged will increase or decrease in the same percentage amount as the respective Prime Rates increase or decrease. All interest chargeable under this Agreement shall be computed on the basis of a 360-day year for actual days elapsed.

In the event that any Prime Rate announced is from time to time hereafter changed, adjustment in the Rate with respect to such Bank shall be made on the effective date of such change in such Prime Rate. The Rate, as adjusted, shall apply to all Obligations owed to such Bank on the date following the date on which the adjustment is made and shall also apply to all Obligations owed during succeeding months until the Prime Rate is adjusted again. All interest payable by Borrower shall be due and payable on the first business day of each calendar month during the term of this Agreement and each Bank may, at its option, charge such interest and any and all Bank Expenses owing to such Bank to Borrower's loan account with such Bank, which amounts shall thereupon constitute obligations hereunder and shall thereafter accrue interest at the Rate for such Bank provided for in this Agreement.

2.5 [Intentionally Omitted]

2.6 Collections and Notifications, Control of Collateral Account

(a) Subject to the terms of the Intercreditor Agreement and Section 2.7, the Banks or their respective designees may, at any time, notify customers or account debtors of Borrower that the Accounts have been assigned to the Banks and that Banks have a security interest therein, and direct such customers or account debtors to remit payments in respect of the Accounts directly to a cash collateral account to be maintained at East West Bank on behalf of the Banks (the "Collateral Account"). All amounts collected in respect of the Accounts shall be promptly deposited into the Collateral Account, and all collection costs and expenses in respect of the Accounts shall be charged to Borrower's account. On each Monday, East West Bank shall apply amounts deposited into the Collateral Account on the immediately

preceding Wednesday, Thursday and Friday to repay any obligations of Borrower outstanding under this Agreement and shall wire to each other Bank its Proportionate Share of any amounts so applied. On each Thursday, East West Bank shall apply amounts deposited into the Collateral Account on the immediately preceding Monday and Tuesday to repay any obligations of Borrower outstanding under this Agreement and shall wire to each other Bank its Proportionate Share of any amounts so applied. Any amounts collected directly by Borrower in respect of the Accounts shall be immediately deposited into the Collateral Account and, until such funds are deposited, shall be held by Borrower in trust for the benefit of the Banks.

(b) The Borrower and the Banks hereby acknowledge and agree that (i) subject to the written instructions of the Banks, the Collateral Account shall be under the sole dominion and control of East West Bank, on behalf of itself and of the other Banks, (ii) East West Bank, on behalf of itself and the other Banks, shall be entitled to exercise, upon the written instructions of the Banks, any and all rights which the Banks may have under this Agreement, the other Loan Documents or under applicable law with respect to the Collateral Account and all cash, checks, money orders and other items of value of Borrower or collected in respect of the Accounts, now or hereafter paid, deposited, credited, held (whether for collection, provisionally or otherwise) or otherwise in the Collateral Account, and (iii) notwithstanding anything set forth herein to the contrary, neither Borrower nor any other person or entity, through or under Borrower shall have any control over the use of, or any right to withdraw any amount from, the Collateral Account.

2.7 Credit for Payments The receipt of any check or other item of payment by any Bank shall not be considered a payment on account until such check or other item of payment is honored when presented for payment, in which event, said check or other item of payment shall be deemed to have been paid to such Bank two (2) Business Days (or, with respect to checks drawn on banks outside of the State of California, five (5) Business Days) after the date such Bank actually receives possession of such check or other item of payment.

2.8 Ineligible Accounts Any Account shall be ineligible (a) if such Account or any other Account of the account debtor does not comply with Borrower's representations and warranties stated in Section 6.1 of this Agreement, (b) if twenty-five percent (25%) or more of the aggregate dollar amount of the Accounts (other than Accounts owed by Affiliates) of that account debtor is not paid by that account debtor within ninety (90) days from the date of invoice, (c) to the extent that balances from invoices have been issued, but merchandise has not been shipped (or the service has not yet been performed), (d) if the account debtor's aggregate over-90-day balance (other than Accounts owed by Affiliates) is a negative amount, (e) to the extent that such Account includes billings for partial completion of a project, product or service, and any related retention which is not payable until final completion, or which is subject to customer acceptance, (f) to the extent that such Account includes amounts due from an account debtor upon delivery, (g) to the extent that such Account includes receivables with respect to which payment is or may be conditional, (h) in which any other lender claims a superior security interest, (i) if the account debtor disputes liability or makes any claim with respect to any of its Accounts, (j) if any Insolvency Proceeding is filed by or against that account debtor, or (k) if the account debtor becomes insolvent, fails or goes out of business. Further, the following shall not constitute Eligible Accounts: (1) that portion of an Account owed by any single account debtor, other than the Accounts owed by Affiliates, Albertson's, Inc., Safeway Inc., Costco Wholesale

Corp, C & S Wholesale Grocers, Inc, and Long John Silver's, which exceeds 10% of All Eligible Accounts, (2) that portion of an Account owed by Albertson's, Inc which exceeds 20% of All Eligible Accounts, (3) that portion of the Account owed by Safeway Inc which exceeds 20% of All Eligible Accounts, (4) that portion of an Account owed by Costco Wholesale Corp which exceeds 15% of All Eligible Accounts, (5) that portion of an Account owed by C & S Wholesale Grocers, Inc which exceeds 15% of All Eligible Accounts, and (6) that portion of an Account owed by Long John Silver's which exceeds 15% of All Eligible Accounts. As used herein, "All Eligible Accounts" means all Eligible Accounts owed by Affiliates, seafood third party Account debtors and grocery Account debtors. Each Bank shall retain its security interest in all Accounts, eligible and ineligible, until all obligations hereunder to all Banks have been fully repaid. Returns and allowances, if any, as between Borrower and its customers, will be on the same basis and in accordance with the usual and customary practices of Borrower, as they exist as of the effective date of this Agreement. Borrower shall promptly notify Banks of all returns and recoveries and promptly notify Banks of all disputes and claims not less frequently than on a monthly basis. After default by Borrower hereunder, no discount, credit or allowance shall be granted by Borrower to any account debtor and no return of merchandise shall be accepted by Borrower without each Bank's consent. Subject to the terms of the Intercreditor Agreement, any Bank may, after default by Borrower, settle or adjust disputes and claims directly with account debtors for amounts and upon terms which such Bank considers advisable, and in such cases, such Bank will credit Borrower's account with only the net amounts received by such Bank in payment of such disputed Accounts, after deducting all Bank Expenses incurred or expended in connection therewith.

2.9 Monthly Statements Each Bank shall render monthly statements of the Obligations owing by Borrower to such Bank, including statements of all principal, interest, and Bank Expenses owing, and such statements shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrower and such Bank unless, within thirty (30) days after receipt thereof by Borrower, Borrower shall deliver to such Bank, by registered or certified mail, at such Bank's place of business indicated in Section 1.5 hereabove, written objection thereto specifying the error or errors, if any, contained in any such statement. The balance of Borrower's account, less monies remitted, paid or otherwise advanced by such Bank to or for Borrower's account and any amounts which such Bank may be obligated to pay in the future and less any other sums due such Bank as provided in this Agreement, shall be remitted to Borrower when all obligations owed by Borrower to such Bank have been paid in full.

3 TERM

This Agreement shall have a term (the "Initial Term") commencing on the date hereof and expiring on September 30, 2006. Notwithstanding the foregoing, upon the occurrence of an Event of Default, any Bank may terminate any and all future liabilities and obligations of such Bank under this Agreement upon five (5) days' written notice to Borrower and each of the other Banks. If, within such five-day period, any other Bank shall notify Borrower and each of the other Banks in writing of its election to terminate any and all future liabilities and obligations of such Bank under this Agreement, then simultaneously with respect to each Bank electing to terminate any and all future liabilities and obligations of such Bank under this Agreement, such obligations and liabilities shall terminate on the fifth day following delivery of such termination notice last received by Borrower. On the date of such termination, all obligations owed by

Borrower to such Bank shall become immediately due and payable without notice or demand and shall be repaid to such Bank in cash or by a wire transfer of immediately available funds. Notwithstanding such termination, until all Obligations to a Bank, contingent or otherwise, have been fully repaid and performed, Borrower's obligations under this Agreement shall remain valid, binding and in full force and effect, such Bank shall retain its security interest in all existing Collateral and Collateral arising thereafter, and, subject to the terms of the Intercreditor Agreement, Borrower shall continue to assign all Accounts to Banks (including such Bank) and shall continue to immediately turn over to Banks (including such Bank), in kind, all collections received respecting the Accounts. This Agreement shall terminate in its entirety when the Obligations shall have been fully and indefeasibly paid and performed and Banks shall have no obligation to make any further advances under this Agreement.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest Borrower hereby grants to Banks a continuing security interest in all presently existing and hereafter arising Collateral in order to secure prompt repayment of any and all Obligations owed by Borrower to Banks and in order to secure prompt performance by Borrower of each and all of its covenants and obligations under this Agreement and as otherwise created. Banks' security interest in the Collateral shall attach to all Collateral without further act on the part of Banks or Borrower. In the event that any Collateral, including proceeds, is evidenced by or consists of a letter of credit, advice of credit, note, draft, instrument, money, negotiable documents, chattel paper, documents, leases or similar property (collectively, "Negotiable Collateral"), Borrower shall, immediately upon written request thereof from the Bank in possession of such Negotiable Collateral, endorse and assign such Negotiable Collateral over to such Bank.

4.2 Schedules and Assignments of Accounts From time to time, but no less frequently than weekly, Borrower shall provide Banks with schedules describing all Accounts created or acquired by Borrower and shall execute and deliver written collateral assignments of such Accounts to Banks, whether or not Banks make advances against such Accounts, provided, however, that Borrower's failure to execute and deliver such schedules and/or collateral assignment shall not affect or limit Bank's security interest and other rights in and to the Accounts. Together with each schedule, Borrower shall, if requested by any Bank, furnish such Bank with copies of Borrower's sales journals or invoices, customer's purchase orders, or their equivalent, and original shipping or delivery receipts for all merchandise sold, and Borrower warrants the genuineness thereof.

4.3 Sale of Inventory Subject to the terms of the Intercreditor Agreement, upon any Bank's request, Borrower will hold the Inventory in trust for such Bank, store the same in a warehouse in such Bank's name, deliver to such Bank documents of title representing the Inventory, or evidence Bank's security interest in some other manner acceptable to such Bank. Until the occurrence of an Event of Default by Borrower under this Agreement, Borrower may, subject to the provisions hereof and consistent herewith, sell the Inventory, but only in the ordinary course of Borrower's business and only in such a manner as to create Eligible Accounts. A sale of inventory in Borrower's ordinary course of business does not include an exchange or a transfer in partial or total satisfaction of a Debt owing by Borrower, nor does it include an exchange for less than present fair consideration.

4.4 Delivery of Additional Documentation Borrower shall execute and deliver to each Bank, concurrent with Borrower's execution of this Agreement, and at any time or times hereafter at the request of such Bank, all financing statements, continuation financing statements, fixture filings, security agreements, chattel mortgages, assignments, endorsements of certificates of title, applications for titles, affidavits, reports, notices, schedules of accounts, letters of authority and all other documents that such Bank may reasonably request, in form satisfactory to such Bank, to perfect and maintain perfected such Bank's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement. Borrower hereby irrevocably makes, constitutes and appoints each Bank (and any of such Bank's officers, employees or agents designated by such Bank) as Borrower's true and lawful attorney with power to sign the name of Borrower on any of the above-described documents or on any other similar documents which need to be executed, recorded, and/or filed in order to perfect or continue perfected, such Bank's security interest in the Collateral.

4.5 Power of Attorney Each Bank (through any of its officers, employees or agents) shall have the right, at any time or times hereafter, during Borrower's usual business hours, or during the usual business of any third party having control over the records of Borrower, to inspect and verify Borrower's Books in order to verify the amount or condition of, or any other matter relating to, the Collateral and Borrower's financial condition. In addition, Borrower hereby appoints each Bank (and any of such Bank's officers, employees, or agents designated by such Bank) as Borrower's attorney, with power to endorse Borrower's name on any checks, notes, acceptance, money orders, drafts or other forms of payment or security that may come into such Bank's possession, to sign Borrower's name on any invoice or bill of lading relating to any Accounts, on drafts against account debtors, on schedules and assignments of Accounts, on verifications of Accounts, and on notices to account debtors, to notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by such Bank, to receive and open all mail addressed to Borrower, and to retain all mail relating to the Collateral and forward all other mail to Borrower, and to send, whether in writing or by telephone, requests for verification of Accounts, to settle, compromise, prosecute or defend any action, claim or proceeding, or take any other action, all either in its own name or in the name of Borrower or otherwise, which the Banks may deem necessary or advisable for the purpose of exercising and enforcing its powers and rights under this Agreement or the other Loan Documents or in the furtherance of the purposes thereof, and to do all things necessary to carry out this Agreement. Borrower ratifies and approves all acts of the attorney and neither Banks nor their respective attorneys will be liable for any acts or omissions or for any error of judgment or mistake of fact or law made in good faith. The appointment of each Bank as Borrower's attorney, and each any every one of each Bank's rights and powers, being coupled with an interest, are irrevocable so long as any Accounts in which such Bank has a security interest remain unpaid and until all of the Obligations have been fully repaid.

5 CONDITIONS PRECEDENT

As conditions precedent to the obligations of each Bank under this Agreement to make advances hereunder and to the extension of the financial accommodations hereunder Borrower shall execute, or cause to be executed, and deliver to such Bank, in form and substance satisfactory to such Bank and its counsel, the following

- (a) This Agreement,
- (b) The Note payable to such Bank,
- (c) The Guaranty,
- (d) Evidence that the applicable Fee has been paid to such Bank,
- (e) Any and all loan documents such Bank may require to evidence any security interest or Lien granted to such Bank in connection with the loans under this Agreement, including, without limitation, that certain 2005 Security Agreement made by HL Foodservice, Inc in favor of Banks dated as of November __, 2005,
- (f) Financing statements (Form UCC-1) and other security interest perfection documentation in form and substance satisfactory to such Bank, duly filed under the Uniform Commercial Code in all jurisdictions as may be necessary, or in such Bank's opinion, desirable, to perfect the Bank's security interest, all filings, recordings, and other actions that are necessary or advisable, in the opinion of such Bank, in order to establish, perfect, preserve and protect such Bank's security interest and Liens as legal, valid and enforceable first security interest, and, all property or documents of title, in cases in which possession is required for the perfection of such Bank's security interest,
- (g) Certified copies of Requests for Information from the appropriate authorities, listing the financing statements referred to in paragraph (f) above and all other effective financing statements which name Borrower as debtor, together with copies of all such other financing statements, none of which shall cover the Collateral, evidence in form satisfactory to such Bank that the priority of any security interest given to such Bank in real property is of the priority represented by Borrower,
- (h) Certified extracts from the minutes of the meeting of the board of directors of Borrower, authorizing the borrowings and the granting of the security interest provided for herein and authorizing specific officers to execute and deliver the agreements provided for herein,
- (i) A certificate of good standing showing that each of Borrower and HL Foodservice, Inc is in good standing under the laws of the State of California and certificates indicating that Borrower has qualified to transact business and is in good standing in any other state in which it conducts business or its ownership of property requires that it be so qualified,
- (j) UCC searches, tax lien and litigation searches, fictitious business statement filings, certificates, notices or other similar documents which such Bank may require and in such form as such Bank may require, in order to reflect, perfect, or protect such Bank's first priority security interest in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement,
- (k) Articles of incorporation certified by the Secretary of State of California, bylaws, and such other authorization documents as such Bank may require,

(l) Certificate of insurance evidencing the insurance required under Section 6.9 hereof and showing Banks as loss-payee pursuant to lender's loss-payable endorsement required by Section 6.9 hereof, and

(m) Such other documents, opinions of counsel and other materials as such Bank may reasonably request, with respect to Borrower, H L Foodservice, Inc , any other guarantor(s), the Collateral or other matters relating thereto

6 WARRANTIES, REPRESENTATIONS AND COVENANTS

6.1 Accounts Borrower warrants, represents, covenants and agrees that

(a) Borrower or H L Foodservice, Inc , as the case may be, has good and marketable title to the Collateral, the Accounts are and will, at the time of their assignment to Banks and at all times pertinent hereto, be bona fide existing obligations created by the sale and delivery of merchandise or the rendition of services to account debtors in the ordinary course of business, free of liens, claims, encumbrances and security interests (except as held by Banks and except as may be consented to in writing by each Bank) and are unconditionally owed to Borrower or H L Foodservice, Inc , as the case may be, without defenses, disputes, offsets, counterclaims, rights of return or cancellation and neither Borrower nor H L Foodservice, Inc shall have received any notice of actual or imminent bankruptcy or insolvency of any account debtor at the time an Account due from such account debtor is assigned to Banks. Borrower hereby specifically authorizes each Bank, at such Bank's discretion as it deems necessary, from time to time, to verify Accounts directly with account debtors, by letter, by telephone or personal contact,

(b) At the time each Eligible Account is assigned to Banks, all property giving rise to such Account shall have been delivered to the account debtor or to the agent of the account debtor for immediate shipment to, and unconditional acceptance by, the account debtor. Borrower shall deliver to each Bank, as such Bank may from time to time require, delivery receipts, customer's purchase orders, shipping instructions, bills of lading and any other evidence of shipping arrangements, if any. Absent such a request by a Bank, copies of all such documentation shall be held by Borrower as custodian for Banks,

(c) At the time each Eligible Account is assigned to Banks, all such Eligible Accounts will be due and payable in accordance with the terms set forth in Section 1.17 of this Agreement, or on such other terms approved in writing by each Bank in advance of the creation of such Accounts, and such terms shall be expressly set forth on the face of all invoices. No Eligible Account will be past due at the time it is assigned to Banks,

(d) All Accounts shall be supported by evidence of adequate credit investigation of the account debtor which evidence shall be on file with Borrower,

(e) Each Bank shall have the right, during Borrower's usual business hours, to inspect and examine Accounts and Borrower's Books pertaining thereto at the place such records are maintained, and

(f) Accounts owed by Affiliates of Borrower or H L Foodservice, Inc that are assigned to Banks cannot and shall not be offset on accounting books by Borrower or H L Foodservice, Inc against accounts with regard to which Borrower or H L Foodservice, Inc, respectively, is or may become liable to its Affiliates for goods sold or services rendered by such Affiliates. If on the balance sheet of Borrower or H L Foodservice, Inc, Accounts owed by such Affiliates are netted against accounts with respect to which Borrower or H L Foodservice, Inc is liable to such Affiliates, such netting shall be allowed only for financial reporting purposes in accordance with GAAP, but shall not operate to modify or impair the obligations owing to Borrower or H L Foodservice, Inc, as the case may be, with respect to the Accounts. If such a netting process is engaged in for financial reporting purposes, Borrower shall cause the certified public accountant of Borrower or H L Foodservice, Inc, as applicable, to fully disclose the netting amount related to Accounts, accounts payable, and other liabilities due to or from Affiliates on the footnotes of the financial statements of Borrower or H L Foodservice, Inc, as applicable, for the period in which such netting occurred.

6.2 Inventory Borrower represents, warrants, covenants and agrees that it shall keep the Inventory only at 1912 E Vernon Ave, Vernon, California 90058, 4510 S Alameda St, Vernon, California 90058, Stanford Cold Storage, 1530 S Compton Ave, Los Angeles, California 90021, 4600 S Alameda, Vernon, California 90058, 813 E 12th Street, Los Angeles, California 90021, and 2920 W Pico Blvd, Los Angeles, California 90006, and other public cold storage company locations. Borrower shall advise Bank of any additional locations at which Borrower shall maintain inventory which shall exceed 10% of Borrower's total inventory. The inventory location may be amended from time to time upon the prior written consent of Bank.

In addition Borrower represents, warrants, covenants and agrees that

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

(b) At any Bank's request, Borrower shall, from time to time hereafter, execute and deliver to such Bank, schedules of Inventory, in a form satisfactory to such Bank, specifying Borrower's cost and the wholesale market value of Borrower's raw materials, work in process, finished goods, and further, specifying any other category which such Bank may request, as well as such other matters and information relating to the Inventory as such Bank may request,

(c) At all times pertinent hereto, Borrower's Inventory shall be valued at the lower of Borrower's costs or wholesale market value in accordance with Borrower's historical methods of valuation and shall be in the form of fresh and frozen seafood and other food products,

(d) All of Inventory is and shall remain free from all liens, claims, encumbrances, and purchase money or other security interest, liens or encumbrances except as held by Bank or consented to, in writing, by each Bank,

(e) Borrower does now keep and hereafter at all times shall keep correct and accurate records itemizing and describing the kind, type, quality and quantity of the Inventory, and its cost therefor, all of which records shall be available upon demand to any of any Bank's officers, agents and employees for inspection and copying.

(f) The Inventory is not now and shall not at any time or times hereafter be stored with a bailee, warehouseman or similar party without each Bank's prior written consent, and, in such event, Borrower will, concurrent therewith, cause any such bailee, warehouseman or similar party to issue and deliver to Banks, in a form acceptable to each Bank, warehouse receipts in Banks' name evidencing the storage of the Inventory.

(g) Each Bank shall have the right, during Borrower's usual business hours, to inspect and examine the Inventory and to check and test the same as to quality, quantity, value and condition. The exercise by any Bank of the rights described in the immediately preceding sentence shall be at such Bank's cost if no event which with notice and/or the passage of time, or both, would constitute an Event of Default shall have occurred and shall be continuing and no Event of Default has occurred under this Agreement.

6.3 Equipment Borrower represents, warrants, covenants and agrees that

(a) It has good and indefeasible title to the Equipment,

(b) The Equipment is and will be free and clear of all liens, security interests, encumbrances and claims, except as may be consented to, in writing, by each Bank or except as held by any Bank,

(c) Borrower shall keep and maintain the Equipment in good operating condition and repair, make all necessary replacements thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Borrower shall not permit any items of Equipment to become a fixture to real estate or accession to other property and the Equipment is now and shall at all times remain and be personal property,

(d) Until an Event of Default by Borrower under this Agreement, Borrower may, subject to the provisions of this Agreement, remain in possession of and use the Equipment in the ordinary course of business at the location or locations hereinabove designated,

(e) Upon any Bank's request and subject to the terms of the Intercreditor Agreement, Borrower shall immediately deliver to such Bank, properly endorsed, any and all evidences of ownership of certificates of title or applications and titles to any of the aforesaid items of Equipment,

(f) Banks shall not in any way or manner be liable or responsible for (i) the safekeeping of the Equipment, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, or (iii) any diminution in the value thereof.

6.4 Negative Covenants Borrower represents, warrants, covenants and agrees that it will not, and shall cause H.L. Foodservice, Inc. not to, without each Bank's prior written consent.

(a) other than sales of Inventory in the ordinary course, respectively, of Borrower's and H L Foodservice, Inc 's business, sell, lease, or otherwise dispose of, move, relocate, or transfer, whether by sale or otherwise, any of Borrower's or H L Foodservice, Inc 's assets, respectively,

(b) Change Borrower's or H L Foodservice, Inc 's respective name, business structure, or identity, or add any new fictitious name,

(c) Acquire, merge or consolidate with or into any other business organization,

(d) Enter into any transaction not in the usual course of Borrower's or H L Foodservice, Inc 's respective business,

(e) Guarantee or otherwise become in any way liable with respect to the obligations of any third party except by endorsement of instruments or items of payment for deposit to the general account of Borrower or which are transmitted or turned over to each Bank,

(f) Make any change in Borrower's financial structure or in any of its business objectives, purposes, or operations which could adversely affect the ability of Borrower to repay the Obligations,

(g) Be indebted for borrowed money, the deferred purchase price of property, or leases which would be capitalized in accordance with GAAP, or become liable as a surety, guarantor, accommodation party or otherwise for or upon the obligation of any other Person, except for

(i) the acquisition of supplies or inventory on normal trade credit,

(ii) the endorsement of negotiable instruments for deposit or collection in the ordinary course of Borrower's or H L Foodservice, Inc 's business, respectively,

(iii) the indebtedness of Borrower under this Agreement,

(iv) any indebtedness approved in writing by each Bank, and

(v) loans to Affiliates and/or shareholders of the Borrower not greater than \$1,000,000 00 in the aggregate, provided that repayment of such loans is subordinated to payment of the Obligations in a manner acceptable to the Banks and provided further that such loans shall be and at all times remain unsecured,

(h) Create, incur, assume or permit to exist any Lien, or grant any other Person a negative pledge, on any of Borrower's or H L Foodservice, Inc 's respective property or the Collateral, except for

(i) Involuntary Liens which, in the aggregate, would not have a material adverse effect, respectively, on Borrower's or H L Foodservice, Inc 's financial condition or business,

(ii) Liens for current taxes or other governmental or regulatory assessments which are not delinquent, or which are contested in good faith by the appropriate procedures and for which appropriate documentation and reserves are maintained,

(iii) Liens in favor of Banks, and

(iv) Liens which have been approved by each Bank prior to the effective date of this Agreement,

(i) Pay any dividends except those payable solely in Borrower's or H L Foodservice, Inc 's capital stock, respectively, or purchase, redeem, or otherwise acquire for value or make any other distribution with respect to any of Borrower's or H L Foodservice, Inc 's capital stock, respectively,

(j) Extend any trade credit to customers in amounts or on terms which exceed or otherwise violate Borrower's written Trade Credit Granting Policy and/or Credit Approval Authority as delegated to appropriate officers of the Borrower, copies of which shall be furnished to Banks within five (5) days following request therefor by Banks,

(k) Make any advance or loan except in the ordinary course of business as presently conducted,

(l) Prepay any existing indebtedness owing to any third party,

(m) Make any plant or fixed capital expenditure, or any commitment therefor, or purchase or lease any real or personal property or replacement equipment subject to a purchase money security interest, trust deed or lease, in any fiscal year, in excess of Borrower's annual allocation to depreciation reserves computed in accordance with GAAP,

(n) Directly or indirectly enter into any transaction with or for the benefit of an Affiliate on terms more favorable to the Affiliate than would have been obtainable in "arm's length" dealings,

(o) Make any change in the location of any of the Borrower's or H L Foodservice, Inc 's respective places of business or of the establishment of any new, or the discontinuance of any existing, place of business,

(p) Permit at any time the aggregate value of returns and allowances, charge-offs, offsets, credits or credit memoranda which would in the aggregate reduce the value of the Accounts by more than five percent (5%) of the aggregate value of the Accounts,

(q) Have loans or other extensions of credit owing from (i) Fisherman's Pride Processors, Inc in an aggregate amount in excess of \$4,000,000.00, (ii) Admiralty Island Fisheries, Inc , doing business as Aqua Star, in the aggregate amount in excess

of \$2,700,000.00, (iii) Tampa Bay Fisheries, Inc in an aggregate amount in excess of \$4,200,000.00, (iv) International Gourmet Fisheries, Inc dba Mid-Pacific Seafoods or Vernon Seafoods, in an aggregate amount in excess of \$1,500,000, or (v) any Affiliate (other than the entities in the capacities heretofore listed in this Section 6.4(q)) or shareholder of Borrower in an aggregate amount in excess of \$1,000,000.00,

(r) Conduct any sale or transfer of the stock or other securities issued by Borrower or H L Foodservice, Inc which are owned or held by any members of the Kou family, or

(s) Suspend or go out of business

6.5 Corporate Matters Borrower warrants, represents and covenants as follows

(a) The chief executive office or principal place of business of Borrower is at the address indicated in Section 1.7 hereinabove and Borrower covenants and agrees that it will not, during the term of this Agreement, without prior written notification to each Bank, relocate such chief executive office or principal place of business,

(b) Borrower is and shall at all times hereafter be a corporation duly organized and existing under the laws of the State of California and is qualified and licensed to do business, and is in good standing, in any state in which it conducts its business,

(c) Borrower has the right and power and is duly authorized to enter into this Agreement and the other Loan Documents to which it is a party,

(d) The execution by Borrower of this Agreement and the other Loan Documents to which it is a party shall not constitute a breach of any provision contained in Borrower's articles of incorporation or bylaws, nor does it constitute an Event of Default under any agreement to which Borrower is now or hereafter becomes a party,

(e) Borrower will not, without each Bank's prior written consent, make any distribution or declare or pay any cash dividends on, or purchase, acquire, redeem or retire any of its capital stock, of any class, whether now or hereafter outstanding

6.6 Acquisition of After-Acquired Property Borrower shall promptly notify each Bank in writing of its acquisition by purchase, lease or otherwise of any after-acquired tangible property, with the exception of purchases of Inventory in the ordinary course of business

6.7 Taxes and Assessments Borrower represents, warrants, covenants and agrees all assessments and taxes, whether real, personal or otherwise, due or payable by, or imposed, levied or assessed against Borrower or any of its property have been paid, and shall hereafter be paid in full, before delinquency. Borrower shall make due and timely payment or deposit of all federal, state and local taxes, assessments or contributions required of it by law, and will execute and deliver to each Bank, on demand, appropriate certificates attesting to the payment or deposit thereof. Borrower will make timely payment or deposit of all FICA

payments and withholding taxes required of it by applicable laws, and will, upon request, furnish any Bank with proof satisfactory to such Bank that Borrower has made such payments or deposits. If Borrower fails to pay any such assessment, tax, contribution, or make such deposit, or furnish the required proof, any Bank may, in its sole and absolute discretion and without notice to Borrower, either or both (i) make payment of the same or any part thereof or (ii) require that Borrower furnish to Banks security therefor in amount, form and substance satisfactory to Banks or set up such reserves in Borrower's account as such Bank deems necessary to satisfy the liability therefor. Each Bank may conclusively rely on the usual statements of the amount owing or other official statements issued by the appropriate governmental agency. Each amount paid or deposited by a Bank shall constitute Bank Expenses for the account of such Bank and an advance to Borrower. Nothing herein contained shall preclude Borrower from contesting, in good faith and by appropriate proceedings, the imposition of any assessments and taxes and to withhold payment of such contested amounts pending the resolution of such proceedings.

6.8 Actions, Proceedings or Litigation Borrower represents and warrants that there are no actions or proceedings pending by or against Borrower or any guarantor of Borrower before any court or administrative agency and Borrower has no knowledge or belief of any pending, threatened or imminent litigation, governmental, investigations or claims, complaints, actions or prosecutions involving Borrower or any guarantor of Borrower, except for ongoing collection matters and except as heretofore disclosed, in writing, to each Bank. If any of the foregoing (including, without limitation, any such collection matters) arise during the term of this Agreement, Borrower shall immediately notify each Bank in writing.

6.9 Insurance Borrower, at its expense, shall keep and maintain the Inventory and Equipment insured against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against by other owners who use such properties in similar businesses for the full insurable value thereof. Borrower shall also keep and maintain business interruption insurance and public liability and property damage insurance relating to Borrower's ownership and use of the Inventory and its other assets. All such policies of insurance shall be in such form, with such companies, and in such amounts as may be satisfactory to each Bank. Borrower shall deliver to each Bank certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All such policies of insurance (except those of public liability and property damage) shall contain an endorsement in a form satisfactory to each Bank showing Banks as a loss payee thereof, with a waiver of warranties on a 438 BFU endorsement in form satisfactory to each Bank, and all proceeds payable thereunder shall be payable to Banks and, upon receipt by each Bank, shall be applied on account of the Obligations owing hereunder to such Bank. To secure the payment of the Obligations, Borrower grants Banks a security interest in and to all such policies of insurance (except those of public liability and property damage) and the proceeds thereof, and Borrower shall direct all insurers under such policies of insurance to pay all proceeds thereof directly to Banks.

Borrower hereby irrevocably appoints each Bank (and any officers, employees or agents designated by each Bank) as Borrower's attorney for the purpose of making, settling and adjusting claims under such policies of insurance, endorsing the name of Borrower on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance. Borrower will not cancel any of such policies without each Bank's prior written consent. Each such insurer

shall agree by endorsement upon the policy or policies of insurance issued by it to Borrower as required above, or by independent instruments furnished to each Bank, that it will give each Bank at least ten (10) days written notice before any such policy or policies of insurance shall be altered or canceled, and that no act or default of Borrower, or any other person, shall affect the right of Banks to recover under such policy or policies of insurance required above or to pay any premium in whole or in part relating thereto. If Borrower fails to comply with its covenants contained in this Section 6.10, any Bank, without waiving or releasing any Obligations or any Event of Default, may, but shall have no obligation to, obtain and maintain such policies of insurance and pay such premiums and take any other action with respect to such policies which such Bank deems advisable. All sums so disbursed by such Bank, as well as reasonable attorneys' fees, court costs, expenses and other charges relating thereof shall constitute Bank Expenses for the account of such Bank and are payable on demand.

6.10 Financial Statements and Information Borrower represents and warrants that all financial statements and information relating to Borrower which have been or may hereafter be delivered by Borrower to any Bank are true and correct and have been prepared in accordance with GAAP and there has been no material adverse change in the financial condition of Borrower since the submission of the most recent financial information to any Bank.

6.11 Accounting System Borrower at all times hereafter shall maintain a standard and modern system of accounting in accordance with GAAP with ledger and account cards and/or computer tapes, discs, printouts, and records pertaining to the Collateral which contain information as may from time to time be requested by any Bank. Borrower shall not modify or change its method of accounting or enter into, modify, or terminate any agreement presently existing, or any time hereafter entered into with any third party accounting firm and/or service bureau for the preparation and/or storage of Borrower's accounting records without the prior written consent of each Bank and without said accounting firm and/or service bureau agreeing to provide to each Bank information regarding the Collateral and Borrower's financial condition. In this regard, Borrower agrees to use its best efforts to secure a tripartite agreement for each Bank between such Bank, Borrower and Borrower's accounting firm and/or service bureau. Borrower agrees to permit each Bank and any of its employees, officers or agents, upon demand, during Borrower's usual business hours, or the usual business hours of third persons having control thereof, to have access to and examine all of Borrower's Books relating to the Collateral, the Obligations, Borrower's financial condition and the results of Borrower's operations, and, in connection therewith, to permit any Bank or any of its agents, employees or officers to copy and make extracts therefrom.

6.12 Reporting Requirements

(a) Borrower agrees to deliver to each Bank (a) within forty-five (45) days after the end of the first, second and third quarters, (i) financial statements compiled by a certified public accountant which will include a balance sheet and profit and loss statement covering operations of each of Borrower and its Affiliates, respectively, during such period, and (ii) a report (including an aging analysis) for such period with respect to the Accounts, compiled by certified public accountants reasonably acceptable to each Bank, (b) within one hundred and twenty (120) days after the end of each fiscal year of the Borrower, (i) annual financial statements of the Borrower, audited by certified public accountants reasonably acceptable to

each Bank, (ii) annual financial statements of the Affiliates of Borrower, compiled or reviewed or audited by certified public accountants acceptable to each Bank, (iii) annual combined financial statements of Borrower and the Affiliates of Borrower, prepared by Borrower or compiled by certified public accountants reasonably acceptable to each Bank, and (iv) personal financial statements of Ming Shin Kou and Ming Bin Kou, compiled by certified public accountants reasonably acceptable to each Bank, and (c) within ten (10) days after the end of each month, a company prepared accounts payable aging report and Inventory list for such month, in each case in form and substance satisfactory to each Bank and prepared at Borrower's expense and together in each case with a certificate signed by the Chief Financial Officer or other financial officer of Borrower acceptable to each Bank, to the effect that all reports, statements, computer disc or tape files, printouts, runs or other computer prepared information of any kind or nature relating to the foregoing, or documents delivered or caused to be delivered to each Bank under this subsection, are complete, correct, fair, and thoroughly present the financial condition of Borrower and that on the date of delivery to Bank no condition or event which, with the giving of notice and/or the passage of time, would constitute an Event of Default shall have occurred and shall be continuing and no Event of Default shall have occurred under this Agreement. Borrower agrees to cause each Guarantor (other than Guarantors that are natural persons) to deliver to each Bank quarterly and annual financial statements subject to the terms, conditions and requirements applicable to financial statements required to be delivered by Borrower pursuant to this Section 6.11

(b) Borrower shall, for each week during the term of this Agreement, execute and deliver to each Bank no later than the third Business Day of the following week (1) a summary aging by customer of Borrower's and H.L. Foodservice, Inc.'s Accounts, (2) a credit adjustment report with copies of all credit memos attached, (3) a sales report including cash sales with daily summary attached and copies of sales invoices of \$10,000.00 and over, and sales journals, and signed copies of shipping documents, (4) a weekly collection report, with copies of checks and daily summary attached, and (5) a special breakdown of ineligibles by subtotal on each customer either reflected within the aging or as a separate supporting schedule or exhibit,

(c) Intentionally Omitted

(d) Borrower shall furnish agings of accounts receivable by the 10th day following the end of each month. The aging should reflect account numbers (invoices), debtor names and addresses, and account balances, less any credit memos indicated on an accompanying credit adjustment report to be submitted therewith,

(e) Simultaneously with the submission of a weekly accounts receivable aging report, Borrower must complete and submit an accounts receivable transaction report. Such transaction report must reflect the accounts receivable balance as of the last day of each week, so as to enable Banks to verify that the accounts receivable transaction report agrees with the aging report and Borrower's and H.L. Foodservice, Inc.'s books

(f) Borrower agrees to deliver to each Bank promptly after the receipt thereof by Borrower copies of any detailed audit reports submitted to Borrower by independent accountants in connection with any annual or interim audit of the accounts of Borrower made by such accountants, and a copy of each accountants management letter, if any, which discusses the

condition of Borrower's accounting systems, etc., Borrower shall not change its financial reporting year end from the current March 31 without the prior written consent of each Bank,

(g) Borrower agrees to deliver to each Bank copies of each of Borrower's and its Affiliates' federal and state income tax returns, and any amendments thereto, respectively, within fifteen (15) days of the filing thereof. Borrower further agrees to promptly deliver to any Bank, upon such Bank's request, copies of all receipts issued to Borrower for the payment of withholding taxes required of it,

(h) Borrower agrees to make available, promptly after sending the filing copies of all reports, proxy statements and financial statements that Borrower sends or makes available to its stockholders and all registration statements and reports that Borrower files with the Securities and Exchange Commission, or any other governmental or regulatory authority, and

(i) Borrower shall cause each Guarantor that is a natural person to provide to each Bank annual financial statements as of June 30 in form and substance satisfactory to each Bank, and within fifteen (15) days of filing thereof a copy of such Guarantor's federal and state income tax returns

6.13 Quarterly Loan Survey Borrower agrees that Banks shall arrange, at Borrower's expense, quarterly examinations (with respect to the first, second and third quarters of the Borrower) of the Accounts by a certified public accounting firm acceptable to Banks

6.14 Additional Information and Notices Borrower shall promptly, but in no event later than fifteen (15) days following request, supply each Bank with such other information concerning its affairs as such Bank may request from time to time hereafter, and shall promptly notify each Bank of any material adverse change in Borrower's or H.L. Foodservice, Inc.'s financial condition, respectively, and of any condition or event that, with the giving of notice and/or the passage of time, or both, would constitute an Event of Default or that constitutes an Event of Default under this Agreement

6.15 Borrower Solvent Borrower represents, warrants, covenants and agrees that Borrower is now and shall be at all times hereafter solvent and able to pay its debts (including trade debts) as they mature,

6.16 Financial Covenants Borrower shall maintain at all times

- (a) Adjusted Net Worth of not less than Twenty Five Million Dollars (\$25,000,000.00),
- (b) A ratio of Debt to Adjusted Net Worth of not more than 4.0 to 1.0,
- (c) A Current Ratio of not less than 1.25 to 1.0, and
- (d) A Dilution Ratio of no more than five percent (5%)

6.17 Payment for Bank Expenses Borrower shall immediately and without demand, reimburse each Bank for all sums expended by such Bank which constitute Bank Expenses. Each Bank may immediately and without notice charge Borrower's account for Bank Expenses, and Borrower hereby authorizes and approves all advances and payments by each Bank for items constituting Bank Expenses.

6.18 ERISA Participation Borrower is not now nor has it ever been a participant in, nor does it now or in the past has it in any way provided or maintained any deferred compensation plan for the benefit of Borrower's employees nor is it now or in the past has it been a participant in any multi-employer plan described in Section 3(37) or 4001(a)(3) of the Employee Retirement Income Security Act ("ERISA") of 1974 or Section 414 of the Internal Revenue Code of 1986, as amended. Borrower shall not become a participant in, provide or maintain any deferred compensation plan or multi-employer plan for the benefit of Borrower's employees described in the first sentence of this Section 6.17, without written notice to the each Bank and the execution, by Borrower, of any and all amendments and riders hereto with respect to such plans as Banks shall request.

6.19 Labor, Salaries and Wages Borrower warrants, covenants and agrees that all Inventory has been and will be produced in compliance with all applicable state and federal laws and regulations including, but not limited to, the Fair Labor Standards Act, as such may be amended or revised from time to time. Without limiting the generality of the foregoing, Borrower specifically warrants, covenants and agrees that all Inventory has been and will be produced in compliance with the minimum wage and overtime pay provisions of the Fair Labor Standards Act. Borrower agrees to provide each Bank with a monthly certification that (1) all salaries and wages due have been paid, (2) no wage claims have been filed by employees or ex-employees, and (3) all goods have been produced in compliance with the Fair Labor Standards Act. If Borrower fails to provide each Bank with a monthly certification as required above or if employee wages have not been paid, any Bank may, in its sole and absolute discretion and without notice to Borrower, set up such reserves in Borrower's account as such Bank deems necessary to satisfy Borrower's liability therefor on a retrospective and prospective basis.

6.20 Warranties, Representations and Agreements- Renewed and Cumulative Each warranty, representation and agreement contained in this Agreement shall be automatically deemed repeated with each advance and shall be conclusively presumed to have been relied on by each Bank regardless of any investigation made or information possessed by such Bank. The warranties, representations and agreements set forth herein shall be cumulative and in addition to any and all warranties, representations and agreements which Borrower shall give, or cause to be given, to any Bank, either now or hereafter.

7 EVENTS OF DEFAULT

Any one or more of the following shall constitute an Event of Default by Borrower under this Agreement:

7.1 If Borrower fails to pay when due and payable or when declared due and payable, all or any portion of the Obligations owing to any Bank hereunder (whether of principal, interest, taxes, reimbursement of Bank Expenses, or otherwise),

7 2 If Borrower fails or neglects to perform, keep or observe any term, provision, condition, covenant, agreement warranty or representation contained in this Agreement, or any other present or future agreement between Borrower and any Bank, and such condition shall continue for the duration of any applicable grace or cure period therefor or, if no such period is applicable, for more than 30 days,

7 3 If any representation, statement, report, or certificate made or delivered by Borrower or any of its officers, employees or agents, to any Bank is not true and correct,

7 4 If there is a material impairment of the prospect of repayment of all or any portion of the Obligations owing to any Bank or a material impairment of the value or priority of any Bank's security interest in the Collateral,

7 5 If all or any of Borrower's assets are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any Judicial Officer or Assignee,

7 6 If any Insolvency Proceeding is commenced by Borrower,

7 7 If any Insolvency Proceeding is commenced against Borrower,

7 8 If Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs,

7 9 If a notice of lien, levy or assessment is filed of record with respect to all or any portion of Borrower's assets by the United States Government, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether choate or otherwise, upon any or all of the Borrower's assets and the same is not paid on the payment date thereof,

7 10 If a judgment or other claim becomes a lien or encumbrance upon any or all of Borrower's assets,

7 11 If there is a default in any material agreement to which Borrower is party with third parties, or to which Borrower or any Affiliate thereof is party with any Bank, resulting in either case in a right by such third parties or such Bank to accelerate the maturity of Borrower's or such Affiliate's indebtedness,

7 12 If Borrower makes any payment on account of indebtedness which has been subordinated to Borrower's Obligations to any Bank,

7 13 If any misrepresentation exists now or hereafter in any warranty or representation made to Bank by any officer or director of Borrower, or if any such warranty or representation is withdrawn by any officer or director

7 14 If any party subordinating its claims to those of any Bank or any Guarantor or other guarantor of the Obligations dies, terminates its subordination or guaranty or

gives any Bank notice of its intention to so terminate, or becomes the subject of an Insolvency Proceeding,

7.15 If there is a change in ownership or control of ten percent (10%) or more of the issued and outstanding stock of the Borrower, or

7.16 If Borrower fails to pay salaries and wages when due

8 BANK'S RIGHTS AND REMEDIES

8.1 Upon the occurrence of an Event of Default by Borrower under this Agreement, each Bank may, at its election, without notice of its election and without demand, do any one or more of the following all of which are authorized by Borrower

(a) Declare all Obligations owing to such Bank, whether evidenced by this Agreement, by notes, or otherwise, immediately due and payable,

(b) Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement, or any other agreement between Borrower and such Bank,

(c) Terminate this Agreement as to any future liability or obligation of such Bank, but without affecting such Bank's rights and security interest in the Collateral and without affecting the obligations owing by Borrower to such Bank,

(d) Without notice to or demand upon Borrower or any Guarantor or other guarantor, make such payments and do such acts as such Bank considers necessary or reasonable to protect its security interest in the Collateral. Subject to the terms of the Intercreditor Agreement, Borrower agrees to assemble the collateral if any Bank so requires, and to make the Collateral available to such Bank as such Bank may designate. Borrower authorizes each Bank to enter the premises where the Collateral is located, take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest or compromise any encumbrance, charge or lien which in the opinion of such Bank appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith,

(e) Without constituting a retention of collateral in satisfaction of an obligation within the meaning of Section 9620 of the Code, and without giving notice to Borrower or any Guarantor, each Bank may offset and pay to itself any and all amounts maintained by Borrower as deposit accounts (as that term is defined under Section 9102(a)(29) of the Code) or other accounts with such Bank against the obligations owed by Borrower to such Bank,

(f) Banks are hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, right of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature as it pertains to the Collateral, in completing production of advertising for sale and selling any Collateral, and Borrower's rights under all licenses and all franchise agreements shall inure to Banks' benefit.

(g) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale and sell (in the manner provided for herein) the Collateral,

(h) Sell the Collateral at either public or private sales, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as is commercially reasonable in the opinion of Banks. It is not necessary that the Collateral be present at any such sale,

(i) Banks shall give notice of the disposition of the Collateral as follows

(i) Banks shall give the Borrower and each holder of a security interest in the Collateral who has filed with Bank a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, the time on or after which the private sale or other disposition is to be made,

(ii) The notice shall be personally delivered or mailed, postage prepaid, to Borrower as provided in Section 11 of this Agreement, at least five (5) calendar days before the date fixed for the sale, or at least five (5) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to persons other than Borrower claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Banks,

(iii) If the sale is to be a public sale, Banks shall also give notice of the time and place by publishing a notice one time at least five (5) calendar days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held,

(j) Any Bank may bid (by credit bidding, bidding in or bidding in any way permitted by applicable law) and purchase at any public sale,

(k) Borrower shall pay all Bank Expenses incurred in connection with Banks' enforcement and exercise of any of its rights and remedies as herein provided, whether or not suit is commenced by any Bank,

(l) Any deficiency which exists after disposition of the Collateral as provided above will be paid immediately by Borrower. Any excess will be returned, without interest and subject to the rights of third parties, to Borrower by Banks.

8.2 Banks' rights and remedies under this Agreement and all other agreements shall be cumulative. Banks shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by any Bank of one right or remedy shall be deemed an election, and no waiver by such Bank of any default on Borrower's part shall be deemed a continuing waiver. No delay by any Bank shall constitute a waiver, election or acquiescence by it. Banks shall have no obligation to Borrower or H.L. Foodservice, Inc. to maintain or preserve the rights of Borrower or H.L. Foodservice, Inc. as against third parties with respect to Collateral while Collateral is in the possession of Banks. Banks may, if Banks so elect, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce

any of Banks' remedies, with respect to such appointment without prior notice or hearing as to such appointment. To the maximum extent permitted by applicable law, Borrower waives all claims, damages, and demands against Banks arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of Banks as finally determined by a court of competent jurisdiction.

8.3 To the extent that applicable law imposes duties on Banks to exercise remedies in a commercially reasonable manner, Borrower acknowledges and agrees that it is not commercially unreasonable for the Banks (i) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (ii) to fail to exercise collection remedies against account debtors or other persons or entities obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iii) to exercise collection remedies against account debtors and other persons or entities obligated on Collateral directly or through the use of collection agencies and other collection specialists, (iv) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (v) to contact other persons or entities, whether or not in the same business as the Borrower, for expressions of interest in acquiring all or any portion of such Collateral, (vi) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (vii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (viii) to dispose of assets in wholesale rather than retail markets, (ix) to purchase insurance or credit enhancements to insure Banks against risks of loss, collection or disposition of Collateral or to provide to Banks a guaranteed return from the collection or disposition of Collateral, or (x) to the extent deemed appropriate by Banks, to obtain the services of other professionals to assist the Banks in the collection or disposition of any of the Collateral. Borrower acknowledges that the purpose of this Section 8.3 is to provide non-exhaustive indications of what actions or omissions by Banks would not be commercially unreasonable in the Banks' exercise of remedies against the Collateral and that other actions or omissions by the Banks shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 8.3. Without limitation upon the foregoing, nothing contained in this Section 8.3 shall be construed to grant any rights to Borrower or to impose any duties on Banks that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section 8.2.

8.4 Banks shall not be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, Borrower, H.L. Foodservice, Inc., any other obligor, guarantor, pledgor or any other person or entity with respect to the payment of the Obligations or to pursue or exhaust any of their rights or remedies with respect to any collateral therefor or any direct or indirect guarantee thereof. Banks shall not be required to marshal the Collateral or any guarantee of the Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Loan Document shall be cumulative. To the extent it may lawfully do so, Borrower absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against Banks, any valuation, stay, appraisal, extension, redemption or similar laws and any and all rights or defenses it may have now or hereafter existing which, but for this provision,

might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise

9 TAXES AND EXPENSES REGARDING THE COLLATERAL

If Borrower fails to pay promptly when due to any other person or entity, monies which Borrower is required to pay by reason of any provision in this Agreement, Banks may, but not need, pay the same and charge Borrower's account therefor, and Borrower shall promptly reimburse Banks. All such sums shall become additional Obligations owing to Banks, shall bear interest at the Rate hereinabove provided, and shall be secured by the Collateral. Any payments made by any Bank shall not constitute (i) an agreement by such Bank to make similar payments in the future, or (ii) a waiver by such Bank of any default under this Agreement. Banks need not inquire as to or contest the validity of, any such expense, tax, security interest, encumbrances or lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

10 WAIVERS

10.1 Waiver of Application of Payments Borrower waives the right to direct the application of any and all payments at any time or times hereafter received by any Bank on account of any obligations owed by Borrower to such Bank and Borrower agrees that each Bank shall have the continuing exclusive right to apply and reapply such payments in any manner as such Bank may deem advisable, notwithstanding any entry by such Bank upon its books,

10.2 Waiver of Demand, Protest, Notice, Default, etc. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any or all Collateral or guarantees at any time held by any Bank on which Borrower may in any way be liable.

10.3 Waiver of Liability Banks shall not in any way or manner be liable or responsible for (a) the safekeeping of the Inventory, (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (c) any diminution in the value thereof, or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency or other person whomsoever. All risk or loss, damage or destruction of the Inventory shall be borne by Borrower.

10.4 Waiver of Confidentiality Borrower waives the right to assert a confidential relationship, if any, it may have with any accounting firm and/or service bureau in connection with any information requested by any Bank pursuant to or in accordance with this Agreement, and agree that each Bank may contact directly any such accounting firm and/or service bureau in order to obtain such information.

11 NOTICES

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement shall be in writing and sent by regular United States mail, postage prepaid, properly addressed to Borrower at its address set forth in Section 1.7 of this Agreement.

or to Bank at the addresses set forth in Section 1.5, or to such other addresses as Borrower or any Bank may from time to time specify to the other in writing

12 DESTRUCTION OF BORROWER'S DOCUMENTS

Any documents, schedules, invoices or other papers delivered to any Bank, may be destroyed or otherwise disposed of by such Bank six (6) months after they are delivered to or received by such Bank, unless Borrower does request, in writing, the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return

13 GOVERNING LAW AND VENUE

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA (INCLUDING SECTION 1646.5 OF THE CALIFORNIA CIVIL CODE BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES) BORROWER HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN LOS ANGELES COUNTY, CITY OF LOS ANGELES, CALIFORNIA, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN BORROWER AND BANKS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED, THAT BORROWER AND BANKS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF LOS ANGELES COUNTY, CITY OF LOS ANGELES, CALIFORNIA, AND, PROVIDED, FURTHER, NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE BANKS FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF BANKS BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND BORROWER HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWER AT THE ADDRESS SET FORTH IN SECTION 11 HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT

THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U S MAILS, PROPER POSTAGE PREPAID

14 GENERAL PROVISIONS

14.1 When Agreement Is Effective This Agreement shall be binding and deemed effective when executed by Borrower and accepted and executed by each Bank

14.2 Assignment and Participation This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties, provided, however, that Borrower may not assign this Agreement or any rights hereunder without each Bank's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by any Bank shall release Borrower or any Guarantor from their obligations to Banks. Each Bank may assign this Agreement and its rights and duties hereunder. Each Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in such Bank's rights and benefits hereunder. In connection therewith, each Bank may disclose all documents and information which such Bank now or hereafter may have relating to Borrower or Borrower's business

14.3 Captions Paragraph headings and paragraph numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each paragraph applies equally to this entire Agreement

14.4 Construction of Agreement Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Banks or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto

14.5 Severability Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision

14.6 Merger No Oral Effect This Agreement cannot be changed or terminated orally

14.7 Reasonableness and Good Faith The parties intend and agree that their respective rights, duties, power, liabilities, obligations and discretions shall be performed, carried out, discharged and exercised reasonably and in good faith

14.8 Counterparts This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument

15 INDEMNIFICATION

Borrower shall indemnify each Bank against, and hold each Bank harmless from, all claims, action, losses, and expenses, including all agent, expert and attorneys' fees and costs incurred by such Bank, directly or indirectly arising out of or from (a) any contention that Borrower has failed to comply with any law, rule, regulation, order or directive applicable to Borrower's sales or performance of services for Borrower's customers, including without limitation those sales and services requiring public health and safety, consumer or other disclosures, or (b) any use, generation, manufacture, production, storage, release or threatened release, disposal or presence of a Hazardous Material (as defined below) on any property of Borrower. These indemnifications shall survive the repayment of all principal, interest, and fees payable in connection with the Agreement and the release or reconveyance of any Collateral. For the purposes hereof Hazardous Material means any substances defined as "hazardous substances," "pollutants," "contaminants," "hazardous materials," "hazardous wastes" or "toxic substances" or related materials in any state or federal laws or regulations now or hereafter enacted.

16 COSTS AND EXPENSES

Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents, including the reasonable fees and out-of-pocket expenses of counsel for Banks with respect thereto and with respect to advising Banks as to their rights and responsibilities under the Loan Documents. Borrower further agrees to pay on demand all costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Loan Documents.

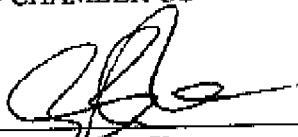
17 WAIVER OF JURY TRIAL


17.1 BECAUSE DISPUTES ARISING OUT IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT DISPUTES ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG BANKS AND BORROWER ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO.

IN WITNESS WHEREOF, Borrower and Banks have executed and delivered this Agreement as of the dated indicated in the first paragraph of this Agreement

"BORROWER"

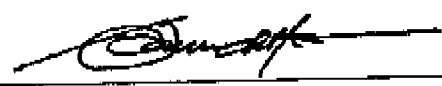
RED CHAMBER CO

By 
Ming Bin Kou
Executive Vice President

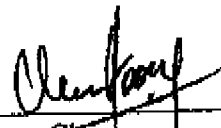
By 
Ming Shin Kou
Executive Vice President
and Secretary

"BANKS"

EAST WEST BANK

By 
Andy Yen
Executive Vice President

UNITED OVERSEAS BANK LIMITED

By 
Hoong Chen
First Vice President and General Manager