TRADEMARK ASSIGNMENT

Electronic Version v1.1
Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
NAPCO SECURITY SYSTEMS, INC.		09/07/2007	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	HSBC BANK USA, N.A.
Street Address:	534 Broadhollow Road
City:	Melville
State/Country:	NEW YORK
Postal Code:	11530
Entity Type:	INC. ASSOCIATION:

PROPERTY NUMBERS Total: 19

Property Type	Number	Word Mark
Registration Number:	3190157	NAPCO FREEDOM
Registration Number:	3163086	NAPCO NETLINK
Registration Number:	3160223	SECURI-SMART
Registration Number:	3115658	STARLINK
Registration Number:	3022105	PLATINUM POWER
Registration Number:	3020206	N
Registration Number:	2992511	NAPCO
Registration Number:	2836766	IQ PROFILER
Registration Number:	2352649	LIBRA
Registration Number:	1797807	ON THE SECURITY SCENE
Registration Number:	1803663	ADAPTIVE
Registration Number:	1738093	KING OF SENSORS
Registration Number:	1664889	NAPCO CHAMP
Registration Number:	1742789	SENSOR WATCH

OP $490.00 3190157

Registration Number:	1347382	N NAPCO
Registration Number:	1274955	MAGNUM ALERT-800
Registration Number:	1274956	MAGNUM ALERT
Serial Number:	78436026	WE MAKE THINGS BETTER
Serial Number:	76573904	IT'S THAT SIMPLE

CORRESPONDENCE DATA

Fax Number: (516)222-6209
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
Phone: 5162226200
Email: S.Boriskin@bhpp.com
Correspondent Name: Sara Z. Boriskin
Address Line 1: 100 Garden
Address Line 4: Garden City, NEW YORK 11530

NAME OF SUBMITTER:	Sara Z. Boriskin
Signature:	/SZB091007/
Date:	09/10/2007

Total Attachments: 91
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AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

between

NAPCO SECURITY SYSTEMS, INC.
("Debtor")

With a place of business at:

333 Bayview Avenue
Amityville, NY 11701

(Suffolk County)

and

HSBC BANK USA, NATIONAL ASSOCIATION, SUCCESSOR BY MERGER TO HSBC BANK USA, FORMERLY KNOWN AS MARINE MIDLAND BANK
("Secured Party")

With a place of business at:

534 Broad Hollow Road
Melville, NY 11747

Dated as of September 7, 2007

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DEBTOR AND SECURED PARTY AGREE AS FOLLOWS:

1. DEFINITIONS:

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

(a) ACCEPTABLE ACQUISITION means "any stock and/or cash acquisition of an equity interest in, or assets of, a corporation, partnership or other entity engaged in a similar line of business of the Debtor and its Consolidated Subsidiaries, which in the case of a corporation, has been either (a) approved by the board of directors of such corporation which is the subject of such acquisition or (b) recommended for approval by such board to the shareholders of such corporation and subsequently approved by such shareholders as required under applicable law or by the by-laws or the certificate of incorporation of such corporation; provided, however, that unless approved by the Secured Party:

- No acquisition shall be an "acceptable acquisition" if after giving effect thereto (as evidenced in a pro-forma covenant compliance certificate, in form and substance approved by Secured Party, furnished by the Debtor), a Default or Event of Default under the Transaction Documents shall have occurred and be continuing.

- The "Acceptable Acquisition Purchase Price" (defined below), either singly or in the aggregate, of an Acceptable Acquisition(s) shall not exceed $15 million.

- In the case of an acquisition of a non-domestic Consolidated Subsidiary, the business to be acquired shall be acquired by the Debtor or Guarantor.

(b) ACCEPTABLE ACQUISITION PURCHASE PRICE" means, with respect to any Acceptable Acquisition, collectively, without duplication, (i) all cash paid by the Debtor and any of its Consolidated Subsidiaries in connection with such Acceptable Acquisition, including in respect of transaction costs, fees and other expenses incurred by the Debtor or any of its Consolidated Subsidiaries in connection with such Acceptable Acquisition, (ii) all Indebtedness created, and all Indebtedness assumed, by the Debtor or any of its Consolidated Subsidiaries in connection with such Acceptable Acquisition, including, without limitation, the maximum amount of any purchase price to be paid pursuant to any "earn out" provision contained in the agreements related to any Acceptable Acquisition (iii) the value of all capital stock issued by the Debtor or any of its Consolidated Subsidiaries in connection with such Acceptable Acquisition and (iv) any deferred portion of the purchase price or any other costs paid by the Debtor or any of its Consolidated Subsidiaries in connection with such Acceptable Acquisition, including but not limited to consulting agreements and non-compete agreements. For purposes of this definition, if any "earn out" provision does not provide for a maximum payment, the maximum amount of any purchase price to be paid pursuant to any "earn out" provision shall be determined by the Secured Party on a reasonable basis, on the basis of the Debtor's projections.

(c) ACCOUNT DEBTOR means the person, firm, or entity obligated to pay a Receivable.

(d) ADJUSTED LIBOR RATE means a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the product arrived at by multiplying the Base LIBOR Rate (as hereinafter defined) with respect to the applicable Interest Period (as hereinafter defined) by a fraction (expressed as a decimal); the numerator of which shall be the number one and the denominator of which shall be the number one minus the aggregate reserve percentages (expressed as a decimal) from time to time established by the Board of Governors of the Federal Reserve System of the United States and other banking authority to which the Secured Party is now or hereafter subject, including, but not limited to, any Reserve Eurocurrency Liabilities as defined in Regulation D of the Board of Governors of the Federal Reserve System of the United States at the ratios provided in such Regulation, from time to time, it being agreed that any portion of the Indebtedness (as hereinafter defined) bearing interest at a LIBOR Rate shall be deemed to constitute Eurocurrency Liabilities, as defined by such Regulation, and it being further agreed that such Eurocurrency Liabilities shall be deemed to be subject to such reserve requirements without benefit of or credit for prorations, exceptions or offsets that may be available to the Secured Party from time to time under such Regulation and irrespective of whether the Secured Party actually maintains all or any portion of such reserve.

(e) ADVANCE means a loan made to Debtor by Secured Party, pursuant to this Agreement.

(f) AGREEMENT or LOAN AGREEMENT means this Amended and Restated Loan and Security Agreement including all exhibits hereto, as the same may be extended, amended, modified and/or restated from time to time; the terms "herein", "hereunder" and like terms shall be taken as referring to this Agreement in its entirety and shall not be limited to any particular section or provision thereof.

(g) BASE LIBOR RATE applicable to a particular Interest Period means a rate per annum (rounded upwards, if necessary, to the next 1/16th of 1%) equal to the rate at which dollars approximately equal in principal amount to the applicable portion of the Indebtedness and for a maturity equal to the applicable Interest Period are offered in immediately available funds to the Secured Party by leading banks in the London Interbank Market for Eurodollars at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period.

(h) BORROWING means the incurrence of an Advance on a given date.

(i) BORROWING CAPACITY means, at the time of computation, $25,000,000.

(j) BUSINESS DAY means a day other than a Saturday, Sunday, or other day on which banks are authorized or required to close under the laws of New York or the State.

(k) CASH FLOW means Cash Flow of the Debtor and its Consolidated Subsidiaries, on a consolidated basis, net income, plus depreciation plus amortization, minus capital expenditures, plus or minus non-operating and non-cash losses or gains, net of tax, with accounting terms defined in accordance with GAAP, based upon receipt of the quarterly and/or annual financial statements, 10-K's and 10-Q's of the Debtor and its Consolidated Subsidiaries required to be submitted to Secured Party pursuant to the terms hereof. To be clear, non-operating and non-cash losses must occur together to be added to the equation, and non-operating and non-cash gains must occur together to be subtracted from the equation.

(l) CLAIMS means each "claim" as that term is defined under Section 101(5) of the United States Bankruptcy Code, and any amendments thereto (Title 11, United States Code).

(m) COLLATERAL means collectively all of the property of Debtor subject to the Security Interest and described in Sections 3.1 and 3.2.

(n) COMMITMENT or COMMITMENTS means Secured Party's obligations, pursuant to the terms of this Agreement, to make Advances under the Revolving Credit Facility.

(o) CONSOLIDATED SUBSIDIARY means Alarm Lock Systems, Inc. ("Alarm"), Continental Instruments LLC, f/k/a Continental Instruments Systems, LLC ("Continental"), NAPCO/Alarm Lock Grupo Internacional, S.A. ("NAPCO/Alarm Lock"), NAPCO/Alarm Lock Exportadora , S.A. ("NAPCO Exportadora"), NAPCO Gulf Security Group, LLC, ("NAPCO Gulf"), NAPCO Group Europe Limited ("NAPCO Europe"), NAPCO Americas ("NAPCO Cayman Islands"), NAPCO DR, S.A. ("NAPCO Dominican Republic"), and any other Person of which more than 50% of the voting stock or membership interest, as the case may be, is owned by Debtor directly, or indirectly, through one or more Consolidated Subsidiaries, and each of their respective successors and/or assigns.

(p) intentionally deleted prior to execution.

(q) intentionally deleted prior to execution.

(r) CURRENT ASSETS shall be determined in accordance with GAAP.

(s) CURRENT LIABILITIES shall be determined in accordance with GAAP.

(t) DEBTOR means the person or entity defined on the cover page to this Agreement.

(u) DEBT SERVICE COVERAGE RATIO means earnings before interest, taxes, depreciation and amortization, less distributions, all divided by current portion of long term debt as of the prior fiscal year end plus interest expense.

(v) DISPOSAL means the intentional or unintentional abandonment, discharge, deposit, injection, dumping, spilling, leaking, burning, thermal destruction, or placing of any Hazardous Substance so that it or any of its constituents may enter the environment.

(w) ENVIRONMENT means any water including, but not limited to, surface water and ground water or water vapor; any land including land surface or subsurface; stream sediments; air, fish, wildlife, plants; and all other natural resources or environmental media.

(x) ENVIRONMENTAL LAWS means all federal, state, and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances, regulations, codes, and rules relating to the protection of the Environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production, or disposal of Hazardous Substances and the policies, guidelines, procedures, interpretations, decisions, orders, and directives of federal, state, and local governmental agencies and authorities with respect thereto.

(y) ENVIRONMENTAL PERMITS means all licenses, permits, approvals, authorizations, consents or registrations required by any applicable Environmental Laws and all applicable judicial and administrative orders in connection with ownership, lease, purchase, transfer, closure, use, and/or operation of any property owned, leased or operated by Debtor or any Consolidated Subsidiary and/or as may be required for the storage, treatment, generation, transportation, processing, handling, production, or disposal of Hazardous Substances.

(z) ENVIRONMENTAL QUESTIONNAIRE means a questionnaire and all attachments thereto concerning (i) activities and conditions affecting the Environment at any property of Debtor or any Consolidated Subsidiary or (ii) the enforcement or possible enforcement of any Environmental Law against Debtor or any Consolidated Subsidiary.

(aa) ENVIRONMENTAL REPORT means a written report prepared for Secured Party by an environmental consulting or environmental engineering firm.

(bb) ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

(cc) EVENT OF DEFAULT or EVENTS OF DEFAULT means an Event of Default or Events of Default as defined in Section 11.1.

(dd) FEDERAL BANKRUPTCY CODE means Title 11 of the United States Code, entitled "Bankruptcy," as amended, or any successor federal bankruptcy law.

(ee) FUNDED DEBT means all interest bearing debt.

(ff) GAAP means Generally Accepted Accounting Principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of certified Public Accountants and statements and pronouncements of the Financial Accounting Standards

Board or such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable in the circumstances as of the date in question, consistently applied within a period and from period to period, provided, however, that if employment of more than one principle shall be permissible at such time in respect to a particular accounting matter, "GAAP" shall refer to the principle which is then employed by Debtor with the concurrence of the independent certified public accountants of Debtor.

(gg) HAZARDOUS SUBSTANCES means, without limitation, any explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, and any other material defined as a hazardous substance in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601(14).

(hh) IMPORTED INVENTORY means all Inventory of Obligor of every description imported from outside of the United States, including but not limited to Inventory consisting of parts or components produced in whole or in part in the United States and sent outside of the United States for assembly, completion or packaging.

(ii) INDEBTEDNESS means the indebtedness secured by the Security Interest and described in Section 3.3.

(jj) INTANGIBLE ASSETS means (1) all loans or advances to, and other receivable owing from, any officers, employees, subsidiaries and other affiliates, (2) goodwill, and (3) any other assets deemed intangible under GAAP.

(kk) INTEREST PERIOD means the period of time during which a particular LIBOR Rate Option (as hereinafter defined) will be applicable to a portion of the Indebtedness, it being agreed that (i) each Interest Period shall be of a duration of, at the option of the Borrower, one month, two months, three months, four months, six months, nine months or twelve months (ii) no Interest Period shall extend beyond the Term, (iii) the principal balance with respect to which a particular Interest Period is applicable will bear interest at the LIBOR Rate Option pertaining to such Interest Period from and including the first day of such Interest Period to, but not including, the last day of such Interest Period.

(ll) INTERNAL REVENUE CODE means the Internal Revenue Code of 1986, as amended from time to time.

(mm) INVENTORY means inventory, as defined in the Uniform Commercial Code as in effect in the State as of the date of this Agreement, and in any event shall include returned or repossessed Goods.

(nn) LIBOR RATE OPTION or LIBOR INTEREST RATE means a rate per annum equal to the Adjusted LIBOR Rate with respect to the applicable Interest Period plus the applicable

LIBOR Margin, as described and defined based upon the ratio of Funded Debt to Cash Flow, all as more specifically described in Section 7.2.(h) hereinbelow.

(oo) LIEN means any lien, security interest, pledge, hypothecation, encumbrance or other claim in or with respect to any property.

(pp) PENSION EVENT means, with respect to any Pension Plan, the occurrence of (i) any prohibited transaction described in Section 406 of ERISA or in Section 4975 of the Internal Revenue Code; (ii) any Reportable Event; (iii) any complete or partial withdrawal, or proposed complete or partial withdrawal, of Debtor or any Consolidated Subsidiary from such Pension Plan; (iv) any complete or partial termination, or proposed complete or partial termination, of such Pension Plan; or (v) any accumulated funding deficiency (whether or not waived), as defined in Section 302 of ERISA or in Section 412 of the Internal Revenue Code.

(qq) PENSION PLAN means any pension plan, as defined in Section 3(2) or ERISA, which is a multiemployer plan or a single employer plan, as defined in Section 4001 of ERISA, and subject to Title IV of ERISA and which is (i) a plan maintained by Debtor or any Consolidated Subsidiary for employees or former employees of Debtor or of any Consolidated Subsidiary; (ii) a plan to which Debtor or any Consolidated Subsidiary contributes or is required to contribute; (iii) a plan to which Debtor or any Consolidated Subsidiary was required to make contributions at any time during the five (5) calendar years preceding the date of this Agreement; or (iv) any other plan with respect to which Debtor or any Consolidated Subsidiary has incurred or may incur liability, including, without limitation, contingent liability, under Title IV of ERISA either to such plan or to the Pension Benefit Guaranty Corporation. For purposes of this definition, and for purposes of Sections 1.1(cc), 4.12, and 11.1(i), Debtor shall include any trade or business (whether or not incorporated) which, together with Debtor or any Consolidated Subsidiary, is deemed to be a "single employer" within the meaning of Section 4001(b)(1) of ERISA.

(rr) PERSON means any natural person, corporation, limited liability company, partnership, trust, government or other association or legal entity.

(ss) intentionally deleted prior to execution;

(tt) PRIME RATE means the rate of interest publicly announced by Secured Party from time to time as its prime rate and is a base rate for calculating interest on certain loans. The rate announced by Secured Party as its prime rate may or may not be the most favorable rate charged by Secured Party to its customers.

(uu) RECEIVABLE or ACCOUNT shall have the meaning given to Account under the U.C.C, including without limiting the foregoing, the right to payment for Goods sold or leased or services rendered by the Debtor, whether or not earned by performance, and may, without limitation, in whole or in part be in the form of any Account, Chattel Paper, Document, or Instrument.

(vv) RELEASE means "release", as defined in Section 101(22) of the Comprehensive, Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601(22), and the regulations promulgated thereunder.

(ww) REPORTABLE EVENT means any event described in Section 4043(b) of ERISA or in regulations issued thereunder with regard to a Pension Plan.

(xx) RESPONSIBLE PARTIES includes all Debtor and all makers, endorsors, acceptors, sureties and guarantors of, and all other parties to, the Indebtedness or the Collateral.

(yy) REVOLVING CREDIT FACILITY means the Advances made or to be made available to Debtor by Secured Party pursuant to the terms of this Agreement, and as evidenced by the Revolving Credit Note.

(zz) REVOLVING CREDIT NOTE or NOTE means, individually, jointly, severally, and collectively, REVOLVING CREDIT NOTE or NOTE means, individually, jointly, severally, and collectively, the revolving credit note #1 dated May 12, 1997, in the aggregate sum not to exceed $1,000,000, as reaffirmed, extended, modified, amended and/or restated from time to time and as may be further reaffirmed, extended, modified, amended and/or restated from time to time ("Note #1") and the revolving credit note # 2 dated May 12, 1997, in the original aggregate sum not to exceed $15,000,000, as increased (so that such note is in the aggregate sum not to exceed $24,000,000, as the same may have been otherwise reaffirmed, extended, modified, amended and/or restated from time to time, as the same may be further extended, amended, reaffirmed and/or otherwise modified from time to time ("Note #2")).

(aaa) RESPONSIBLE PARTY means an Account Debtor, a general partner of an Account Debtor, or any party otherwise in any way directly or indirectly liable for the payment of a Receivable.

(bbb) SECURED PARTY means the person or entity defined on the cover page of this Agreement and any successors or assigns of Secured Party.

(ccc) SECURITY INTEREST means the security interest granted to Secured Party by Debtor as described in Section 3.1.

(ddd) STATE means New York State.

(eee) TANGIBLE NET WORTH means total stockholders' equity minus Intangible Assets, all to be determined in accordance with GAAP.

(fff) TERM or LOAN PERIOD means the period from the date hereof until the Termination Date.

(ggg) TERMINATION DATE means the earlier to occur of (a) September 1, 2011 or if such day shall not be a Business Day, the next succeeding Business Day, or (b) upon the occurrence of an Event of Default, at the option of Secured Party, in its sole discretion.

(hhh) THIRD PARTY means any person or entity who has executed and delivered, or who in the future may execute and deliver, to Secured Party any agreement, instrument, or document, pursuant to which such person or entity has guarantied to Secured Party the payment of the Indebtedness or has granted Secured Party a security interest in or lien on some or all of such person's or entity's real or personal property to secure the payment of the Indebtedness.

(iii) TOTAL LIABILITIES shall be determined in accordance with GAAP, but, in any event, shall exclude the principal balance of any debt that is subordinated to Secured Party in a manner satisfactory to Secured Party.

(jjj) TRANSACTION DOCUMENTS mean individually, jointly, severally and collectively, the Agreement (including all amendments to date), and all documents, instruments, notes and agreements by Debtor or any other Third Party or any Responsible Party in favor of Secured Party, whether in existence now or hereinafter created, executed and delivered to Secured Party, as the same may be extended, re-executed, modified or otherwise amended from time to time, including, without limitation, the Note, collateral documents, letter of credit agreements, notes, acceptance credit agreements, security agreements, pledges, guaranties, mortgages, title insurance, assignments, and subordination agreements required to be executed by Debtor, any other Third Party, or any Responsible Party pursuant hereto or in connection herewith, or in connection with a letter of credit application and reimbursement agreement, each dated as of May 12, 1997, as may be reaffirmed or restated from time to time, a certain uncommitted trade line established by Secured Party in favor of Debtor to provide for commercial and standby letters of credit, evidenced by, among other documents, a continuing letter of credit agreement, and a continuing indemnity agreement, each dated as of May 12, 1997, as may be re-executed, amended, extended or otherwise modified from time to time, and the obligations thereunder, as may be extended or otherwise modified from time to time, and uncommitted line of credit facility to be used by Debtor to finance certain acquisitions, as may be executed and delivered to Secured Party from time to time to evidence and secure the obligations under such facilities pursuant to the terms that the Secured Party shall request, and all other documents, agreements, reaffirmations, certificates and resolutions related thereto, and amendments or supplements thereto, all such other agreements, resolutions, certificates, resolutions and opinion letters executed and/or issued as a condition precedent to or in connection with the Agreement, the Note and all such other documents, agreements, and instruments delivered hereunder or as a supplement or amendment thereto or as Secured Party may reasonably require from time to time in order to evidence, guaranty and/or secure any and all indebtedness of Debtor to Secured Party or to create, perfect, continue the perfection or protect the Secured Party's security interest in the Collateral or any of the other collateral specified in the other Transaction Documents.

(kkk) VARIABLE RATE OPTION means a fluctuating annual rate equal to the Prime Rate minus ¼ of 1%.

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

1.3. U.C.C. DEFINITIONS. Unless otherwise defined in Section 1.1 or elsewhere in this Agreement, capitalized words shall have the meanings set forth in the Uniform Commercial Code as in effect in the State from time to time ("U.C.C." or "UCC"). Without limiting the foregoing, "Accessions," "Account," "Chattel Paper," "Commodity Accounts," "Commodity Contracts," "Control," , "Deposit Account", "Document," "Electronic Chattel Paper," "Entitlement Holder," "Entitlement Order," "Equipment," "Financial Assets," "Fixtures," "General Intangibles," "Goods," "Health-Care-Insurance Receivables," "Instrument," "Inventory," "Investment Property," "Payment Intangibles," "Proceeds," "Promissory Notes," "Securities," "Securities Account," "Securities Entitlements," "Securities Intermediary" and "Supporting Obligations" have the meanings assigned to those terms by the UCC.

1.4. ACCOUNTING TERMS. All other financial and accounting terms used herein or in the other Transaction Documents not specifically defined shall have the meanings defined under GAAP.

2. ADVANCES.

2.1. REQUESTS FOR AN ADVANCE. From time to time, Debtor may make a written or oral request for an Advance, so long as the sum of the aggregate principal balance of outstanding advances and the requested Advance does not exceed the Borrowing Capacity as then computed; and Secured Party shall make such requested Advance, provided that (i) the Borrowing Capacity would not be so exceeded; (ii) there has not occurred an Event of Default for which a waiver signed by a duly authorized Officer of Secured Party was not obtained, or an event which, with notice or lapse of time or both, would constitute an Event of Default; and (iii) all representations and warranties contained in this Agreement and in the other Transaction Documents are true and correct on the date such requested Advance is made as though made on and as of such date. Each oral request for an Advance shall be conclusively presumed to be made by a person authorized by Debtor to do so, and the making of the Advance to Debtor as hereinafter provided shall conclusively establish Debtor's obligation to repay the Advance.

2.2. PROCEEDS OF AN ADVANCE. Proceeds of Advances shall be paid in the manner agreed by Debtor and Secured Party in writing or, absent any such agreement, as determined by Secured Party. Without limiting the foregoing, the proceeds of the Revolving Credit Facility will be useable by the Debtor, (i) to make Acceptable Acquisition(s); (ii) to permit the Debtor to purchase up to one million shares, in the aggregate, of its own common voting stock, and (iii) to provide for the Debtor's working capital needs and for such other legal and proper corporate purposes as are consistent with all applicable laws, the Debtor's governance documents and the terms of the Transaction Documents.

2.3. INTENTIONALLY DELETED PRIOR TO EXECUTION.

2.4. INTENTIONALLY DELETED PRIOR TO EXECUTION.

3. COLLATERAL AND INDEBTEDNESS SECURED.

3.1. SECURITY INTEREST. Debtor hereby grants to Secured Party a security interest in, and a lien on, all right, title and interest of Debtor in all of the following property, whether now or hereafter existing or acquired and wherever located, and all products and Proceeds (including but not limited to insurance proceeds) of such property, wherever located and in whatever form, and all books and records pertaining to such property and all other property of Debtor in which Secured Party now or hereafter is granted a security interest pursuant to this Agreement or otherwise:

(a) a first priority perfected security interest in all assets and property of every description including, without limitation, all Accounts, General Intangibles, Chattel Paper (whether tangible or electronic), Instruments, Letter-of-Credit Rights, Investment Property, Deposit Accounts, Documents, and Goods (including Inventory, Equipment and Fixtures and embedded software, and all Accessions to any Goods).

(b) a first priority perfected security interest in all of the corporate stock of Alarm Lock Systems, Inc., and any other Consolidated Subsidiary of the Debtor organized under the laws of any state of the United States of America.

(c) a first priority perfected security interest in sixty-five percent (65%) of the corporate stock of NAPCO/Alarm Lock, NAPCO Europe, NAPCO Cayman Islands, NAPCO Dominican Republic, and any other Consolidated Subsidiary, now or in the future, of the Debtor that is not organized under the laws of any state of the United States of America.

(d) A first mortgage lien in the principal sum of $1,000,000.00 on the fee ownership interest of the Debtor in favor of the Secured Party on the premises and improvements located at 333 Bayview Avenue, Amityville, New York 11701 (the "Mortgaged Premises" or "Mortgaged Property") and further secured by an assignment of all present and future leases covering the Mortgaged Premises and UCC-1 financing statements covering all fixtures and personal property to be attached to the Mortgaged Premises, present and future (the "Mortgage"), which Mortgage and assignment of leases and rents were executed and delivered to Bank on May 12, 1997, and which documents are still in full force and effect.

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

3.3. INDEBTEDNESS SECURED. The Security Interest secures payment of any and all indebtedness, and performance of all obligations and agreements, of Debtor to Secured Party, whether now existing or hereafter incurred or arising, of every kind and character, primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, and whether such indebtedness is from time to time reduced and thereafter increased, or entirely extinguished and

thereafter reincurred, including, without limitation: (a) all Advances; (b) all interest which accrues on any such indebtedness, until payment of such indebtedness in full, including, without limitation, all interest provided for under this Agreement; (c) all other monies payable by Debtor, and all obligations and agreements of Debtor to Secured Party, pursuant to the Transaction Documents; (d) all debts owed, or to be owed, by Debtor to others which Secured Party has obtained, or may obtain, by assignment or otherwise; (e) all monies payable by any Third Party, and all obligations and agreements of any Third Party to Secured Party, pursuant to any of the Transaction Documents; and (f) all monies due, and to become due, pursuant to Section 7.3.

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

4.1. CORPORATE EXISTENCE. Debtor and Alarm each is duly organized and existing and in good standing under the laws of the state of Delaware and is duly licensed or qualified to do business and in good standing in every state in which the nature of its business or ownership of its property requires such licensing or qualification. Each other domestic Consolidated Subsidiary is duly organized or formed, as the case may be, and existing and in good standing under the laws of the State and is duly licensed or qualified to do business and in good standing in every state in which the nature of its business or ownership of its property requires such licensing or qualification.

4.2 CORPORATE CAPACITY. The execution, delivery and performance of the Transaction Documents are within Debtor's corporate powers, have been duly authorized by all necessary and appropriate corporate and shareholder action, and are not in contravention of any law or the terms of Debtor's articles or certificate of incorporation or by-laws or any amendment thereto, or of any indenture, agreement, undertaking, or other document to which Debtor is a party or by which Debtor or any of Debtor's property is bound or affected.

4.3. VALIDITY OF RECEIVABLES. (a) each copy of each invoice is a true and genuine copy of the original invoice sent to the account debtor named therein and accurately evidences the transaction from which the underlying Receivable arose, and the date payment is due as stated on each Invoice or computed based on the information set forth on each such Invoice is correct; (b) all Chattel Paper, and all promissory notes, drafts, trade acceptances, and other instruments for the payment of money relating to or evidencing each Receivable, and each endorsement thereon, are true and genuine and in all respects what they purport to be, and are the valid and binding obligation of all parties thereto, and the date or dates stated on all such items as the date on which payment in whole or in part is due is correct; (c) all Inventory described in each Invoice has been delivered to the Account Debtor named in such Invoice or placed for such delivery in the possession of a carrier not owned or controlled directly or indirectly by Debtor; (d) all evidence of the delivery or shipment of Inventory is true and genuine; (e) all services to be performed by Debtor in connection with each Receivable have been performed by Debtor; and (f) all evidence of the performance of such services by Debtor is true and genuine.

4.4. INVENTORY. (a) All representations made by Debtor to Secured Party, and all documents and schedules given by Debtor to Secured Party, relating to the description, quantity, quality, condition, and valuation of the Inventory are true and correct; (b) Inventory is located only at the address or addresses of Debtor set forth at the beginning of this Agreement, or such other place or places as approved by Secured Party in writing; (however Debtor has signed a lease for a location at 9/21 Prestwood, Risley, Warrington, England, where it will house Inventory) (c) all Inventory is insured as required by Section 9.11, pursuant to policies in full compliance with the requirements of such Section; and (d) all domesticly manufactured or produced Inventory has been produced by Debtor in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders promulgated thereunder.

4.5. TITLE TO COLLATERAL. (a) Debtor is the owner of the Collateral free of all security interests, liens, and other encumbrances, except the Security Interest; (b) Debtor has the unconditional authority to grant the Security Interest to Secured Party; and (c) assuming that all necessary Uniform Commercial Code filings have been made and, if applicable, assuming compliance with the Federal Assignment of Claims Act of 1940, as amended, Secured Party has an enforceable first lien on all Collateral.

4.6. DEBTOR'S TAX PAYER ID AND ORGANIZATION NUMBER. Debtor's taxpayer identification number is as follows: 11-2277818 and Debtor's Organization number is as follows: Delaware File No. 0776899.

4.7. CERTAIN OTHER REPRESENTATIONS WITH RESPECT TO THE COLLATERAL. (a) no financing statement or other filing listing any of the Collateral as collateral is on file in any jurisdiction (other than any financing statement filed on behalf of Secured Party, as secured party) and Debtor has not entered into control agreements in favor of any party except Secured Party with respect to Collateral constituting Deposit Accounts or Investment Property, nor has Debtor executed in favor of any party except Secured Party an assignment of the proceeds of any Collateral constituting Letter-of-Credit Rights or granted to any party except Secured Party control (pursuant to Section 9-105 of the UCC) of any Collateral constituting Electronic Chattel Paper; (b) Debtor has rights in or the power to transfer the Collateral or is the legal and beneficial owner of the Collateral and the Collateral is free and clear of all Liens, other than the Lien created by this Agreement in favor of Secured Party; and (c) Debtor did not have or conduct business under any name or trade name in any jurisdiction during the past six years other than its name and trade names, if any, as set forth in Exhibit G attached hereto, and Debtor is entitled to use such name and trade names.

4.8. PLACE OF BUSINESS. (a) Debtor is engaged in business operations which are in whole, or in part, carried on at the address or addresses specified at the beginning of this Agreement and at no other address or addresses; (b) if Debtor has more than one place of business, its chief executive office is at the address specified as such at the beginning of this Agreement; and (c) Debtor's records concerning the Collateral are kept at the address specified at the beginning of this Agreement.

4.9. FINANCIAL CONDITION. Debtor has furnished to Secured Party Debtor's most current financial statements, including, without limiting the foregoing, the most recent interim statements of Debtor, which statements represent correctly and fairly the results of the operations and transactions of Debtor and the Consolidated Subsidiaries as of the dates, and for the period referred to, and have been prepared in accordance with GAAP applied during each interval involved and from interval to interval. Since the date of such financial statements, there have not been any materially adverse changes in the financial condition reflected in such financial statements, except as disclosed in writing by Debtor to Secured Party.

4.10. TAXES. Except as disclosed in writing by Debtor to Secured Party including Debtor's financial statements provided to Secured Party: (a) all federal and other tax returns required to be filed by Debtor and each Consolidated Subsidiary have been filed, and all taxes required by such returns have been paid; and (b) neither Debtor nor any Consolidated Subsidiary has received any notice from the Internal Revenue Service or any other taxing authority proposing additional taxes.

4.11. LITIGATION. Except as set forth in Schedule H attached hereto and incorporated by reference, there are no actions, suits, proceedings, or investigations pending or, to the knowledge of Debtor, threatened against Debtor or any of its Consolidated Subsidiaries or any basis therefor which, if adversely determined, would, in any case or in the aggregate, materially adversely affect the property, assets, financial condition, or business of Debtor or any of its Consolidated Subsidiaries or materially impair the right or ability of Debtor or any of its Consolidated Subsidiaries to carry on its operations substantially as conducted on the date of this Agreement.

4.12. ERISA MATTERS. (a) No Pension Plan has been terminated, or partially terminated, or is insolvent, or in reorganization, nor have any proceedings been instituted to terminate or reorganize any Pension Plan; (b) neither Debtor nor any Consolidated Subsidiary has withdrawn from any Pension Plan in a complete or partial withdrawal, nor has a condition occurred which, if continued, would result in a complete or partial withdrawal; (c) neither Debtor nor any Consolidated Subsidiary has incurred any withdrawal liability, including, without limitation, contingent withdrawal liability, to any Pension Plan, pursuant to Title IV of ERISA; (d) neither Debtor nor any Consolidated Subsidiary has incurred any liability to the Pension Benefit Guaranty Corporation other than for required insurance premiums which have been paid when due; (e) no Reportable Event has occurred; (f) no Pension Plan or other "employee pension benefit plan" as defined in Section 3(2) of ERISA, to which Debtor or any Consolidated Subsidiary is a party has an "accumulated funding deficiency" (whether or not waived), as defined in Section 302 of ERISA or in Section 412 of the Internal Revenue Code; (g) the present value of all benefits vested under any Pension Plan does not exceed the value of the assets of such Pension Plan allocable to such vested benefits; (h) each Pension Plan and each other "employee benefit plan", as defined in Section 3(3) of ERISA, to which Debtor or any Consolidated Subsidiary is a party is in substantial compliance with ERISA, and no such plan or any administrator, trustee, or fiduciary thereof has engaged in a prohibited transaction described in Section 406 of ERISA or in Section 4975 of the Internal Revenue Code; (i) each Pension Plan and each other "employee benefit plan" as defined in Section 3(2) of ERISA, to which Debtor or any Consolidated Subsidiary is a party has received a favorable determination by the Internal Revenue Service with respect to qualification under Section 401(a) of the Internal Revenue Code; and (j)

neither Debtor nor any Consolidated Subsidiary has incurred any liability to a trustee or trust established pursuant to Section 4049 of ERISA or to a trustee appointed pursuant to Section 4042(b) or (c) of ERISA.

4.13. ENVIRONMENTAL MATTERS.

(a) Any Environmental Questionnaire previously provided to Secured Party was and is accurate and complete and does not omit any material fact the omission of which would make the information contained therein materially misleading.

(b) No above ground or underground storage tanks containing Hazardous Substances are, or have been located on, any property owned, leased, or operated by Debtor or any domestic Consolidated Subsidiary.

(c) No property owned, leased, or operated by Debtor or any domestic Consolidated Subsidiary is, or has been, used for the Disposal of any Hazardous Substance or for the treatment, storage, or Disposal of Hazardous Substances.

(d) No Release of a Hazardous Substance has occurred, or is threatened on, at, from, or near any property owned, leased, or operated by Debtor or any domestic Consolidated Subsidiary.

(e) Neither Debtor nor any domestic Consolidated Subsidiary is subject to any existing, pending, or threatened suit, claim, notice of violation, or request for information under any Environmental Law nor has Debtor or any domestic Consolidated Subsidiary provided any notice or information under any Environmental Law.

(f) Debtor and each domestic Consolidated Subsidiary are in compliance with, and have obtained all Environmental Permits required by, all Environmental Laws.

4.14. VALIDITY OF TRANSACTION DOCUMENTS. The Transaction Documents constitute the legal, valid, and binding obligations of Debtor and each Consolidated Subsidiary and any Third Parties thereto, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy and insolvency laws and laws affecting creditors' rights generally.

4.15. NO CONSENT OR FILING. No consent, license, approval, or authorization of, or registration, declaration, or filing with, any court, governmental body or authority, or other person or entity is required in connection with the valid execution, delivery, or performance of the Transaction Documents or for the conduct of Debtor's business as now conducted, other than filings and recordings to perfect security interests in or liens on the Collateral in connection with the Transaction Documents.

4.16. NO VIOLATIONS. Neither Debtor nor any Consolidated Subsidiary is in violation of any term of its articles, or Certificate of Incorporation, or by-laws, or of any mortgage, borrowing

agreement, or other instrument or agreement pertaining to indebtedness for borrowed money. Neither Debtor nor any Consolidated Subsidiary is in violation of any term of any other indenture, instrument, or agreement to which it is a party or by which it or its property may be bound, resulting, or which might reasonably be expected to result, in a material and adverse effect upon its business or assets. Neither Debtor nor any Consolidated Subsidiary is in violation of any order, writ, judgment, injunction, or decree of any court of competent jurisdiction or of any statute, rule or regulation of any governmental authority. The execution and delivery of the Transaction Documents and the performance of all of the same, is, and will be, in compliance with the foregoing and will not result in any violation thereof, or result in the creation of any mortgage, lien, security interest, charge, or encumbrance upon, any properties or assets except in favor of Secured Party. There exists no fact or circumstance (whether or not disclosed in the Transaction Documents) which materially adversely affects, or in the future (so far as Debtor can now foresee) may materially adversely affect, the condition, business, or operations of Debtor or any Consolidated Subsidiary.

4.17. TRADEMARKS AND PATENTS. Debtor and each Consolidated Subsidiary possess all trademarks, trademark rights, patents, patent rights, tradenames, tradename rights and copyrights that are required to conduct its business as now conducted without conflict with the rights or claimed rights of others. A list of the foregoing as set forth in Exhibit A attached hereto.

4.18. CONTINGENT LIABILITIES. There are no suretyship agreements, guaranties, or other contingent liabilities of Debtor or any Consolidated Subsidiary which are not disclosed by the financial statements described in Section 4.9.

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

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

4.21. LABOR CONTRACTS. Neither Debtor nor any Consolidated Subsidiary is a party to any collective bargaining agreement or to any existing or threatened labor dispute or controversies.

4.22. CONSOLIDATED SUBSIDIARIES. Debtor has no Consolidated Subsidiaries other than those listed in Exhibit B attached hereto and the percentage ownership of Debtor in each such Consolidated Subsidiary is specified in such Exhibit B.

4.23. AUTHORIZED SHARES. Debtor's total authorized common shares, the par value of such shares, and the number of such shares issued and outstanding, are set forth in Exhibit C. All of such shares are of one class and have been validly issued in full compliance with all applicable

federal and state laws, and are fully paid and non-assessable. No other shares of the Debtor of any class or type are authorized or outstanding.

4.24. LABOR MATTERS.

(a) Debtor is not engaged in any unfair labor practice. Debtor is in compliance in all material respects with all applicable federal, state and local laws, regulations, rules, orders or other requirements respecting terms and conditions of employment, employment practices, and wages and hours,

(b) No strike, walkout or similar business interruption resulting from any labor dispute has been suffered by Debtor during the last five years nor is any state of facts known to Debtor which would indicate that such event or circumstance is likely to occur in the next twelve months.

(c) There is no pending, or to the knowledge of Debtor, threatened unfair labor practice complaint against Debtor, before the National Labor Relations Board.

(d) There is no strike, labor dispute, slowdown or stoppage actually pending or, to the knowledge of Debtor, threatened against them.

(e) No union representation question exists respecting the employees, or any group of employees, of Debtor.

(f) No grievance which might have a material adverse effect on Debtor or the conduct of their business nor any arbitration proceeding arising out of or under collective bargaining agreements is pending, and no claims therefor exist.

(g) No collective bargaining agreement which is binding on Debtor restricts Debtor from relocating or closing any office, warehouse or any other facility presently being used by Debtor.

(h) Debtor has not experienced any material work stoppage or other material labor difficulty at any office, warehouse or other facility.

(i) There are no claims, complaints or charges pending before any state or federal agency concerning employment penalties, including without limitation, employment discrimination, retaliatory discharge and wage and hour claims.

4.25 MATERIALITY. Notwithstanding anything to the contrary contained in Section 4 hereof, no representation or warranty contained in Section 4 shall be deemed false or cause an Event of Default to the extent that the falsity of such representation or warranty is not material, would not have a material adverse effect on Debtor and/or any domestic Consolidated Subsidiary,

would not cause an untrue statement of material fact, and/or would not result in an omission to state a material fact in order to make the statements contained herein not misleading, and/or would not materially adversely affect the financial and/or business condition of Debtor and/or any domestic Consolidated Subsidiary.

4.26 NAPCO EXPORTRADORA. NAPCO Exportadora, although duly formed, is an inactive corporation and does not and will not hold any assets without the Secured Party's prior written consent.

5. INTENTIONALLY DELETED PRIOR TO EXECUTION.

6. REVOLVING CREDIT FACILITY.

6.1. COMMITMENT TO MAKE ADVANCES.

(a) Secured Party agrees, subject to the terms and conditions contained herein, to make Advances from the date hereof until but not including the Termination Date (the "Commitment Period"), provided that (i) each request for an Advance be in writing and specify the Interest Rate Option selected, as more specifically described in Section 7.2. herein and shall be accompanied by a Compliance Certificate, in the form attached hereto as Exhibit D; (ii) all representations and warranties contained in this Agreement are true and correct in all respects on the date of the Advance; (iii) all covenants and agreements contained in this Agreement and the other Loan Documents have been complied with; and (iv) no Event of Default has occurred and be continuing under the Transaction Documents.

6.2. ADVANCES. Debtor's obligation to pay the principal, and interest on, the obligations under the Revolving Credit Loan Credit Facility shall be evidenced by the Revolving Credit Note. Availability under the Revolving Credit Loan Credit Facility is subject to the terms and conditions contained herein, including but not limited to, those set forth herein.

6.3. INTEREST RATE. For each Advance, the Interest Rate shall be as set forth in Section 7 herein and be evidenced by the Revolving Credit Note.

6.4. DEFAULT. The Note shall provide that upon the happening of any "Event of Default" hereunder and/or under the Transaction Documents, the principal sum hereof, together with accrued interest and all other expenses, including, but not limited to reasonable attorneys' fees for legal services incurred by the holder hereof in connection with the collection of the Note and/or the enforcement of payment hereof whether or not suit is brought, and if suit is brought, then through all appellate actions, shall immediately become due and payable at the option of the holder of the Note, notwithstanding the Termination Date set forth herein. In the Event of Default, whether the Secured Party exercises any of its rights and remedies contained herein, including the right to declare all Indebtedness hereunder to be immediately due and payable, the Borrower shall pay interest on the unpaid principal balance hereunder at a rate equal to the Default Rate. The unpaid principal balance under the Note shall bear the Default Rate of Interest until the first to occur of the following: (i) all

Indebtedness under the Note are paid in full; (ii) Debtor has cured said Event of Default to the satisfaction of the Secured Party; or (iii) the Secured Party, in writing, has waived said Event of Default. Without limiting the foregoing, or any provision contained in the Note, in the event a representation or warranty contained in Article 4 proves to be materially false or misleading when made, the unpaid principal balance under the Note shall bear the Default Rate of Interest from the date such representation or warranty was made and the Default Rate of Interest shall continue until the first to occur of the following: (i) all Indebtedness under this Note are paid in full; (ii) Debtor, to the satisfaction of the Secured Party, has taken such remedies necessary to make such representation or warranty true in all material respects; or (iii) the Secured Party, in writing, has waived said misrepresentation or warranty. Notwithstanding anything to the contrary contained in the Revolving Credit Note, the Revolving Credit Note is subject to the express condition that at no time shall Debtor be obligated to be required to pay interest on the principal balance of the Revolving Credit Note at a rate which could subject Secured Party either to civil or criminal penalty as a result of being in excess of the maximum rate which Debtor is permitted by law to contract or agree to pay. If by the terms of the Revolving Credit Note, Debtor at any time are required or obligated to pay interest on the principal balance of such note at a rate in excess of such maximum rate then the rate of interest under such note shall be deemed to be immediately reduced to such maximum rate and interest payable hereunder shall be computed at such maximum rate and any prior interest payments made in excess of such maximum rate shall be applied and shall be deemed to have been payments made in reduction of the principal balance of such note.

6.5. METHOD AND PLACE OF PAYMENT. All payments under the Revolving Credit Note and this Agreement shall be made by debiting the checking account of Debtor required to be maintained with Secured Party pursuant to the terms hereof.

6.6. REVOLVING CREDIT NOTE. The amount of Indebtedness under the Revolving Credit Facility may increase and decrease from time to time as Secured Party advances, Debtor repays, and Secured Party readvances, sums on account of the Revolving Credit Facility. It is hereby agreed that all Advances, first, shall be deemed evidenced by Note #1 up to the principal amount of $1,000,000., so that the first sums advanced by Secured Party shall be evidenced by Note #1. Note #1, and the Indebtedness evidenced by Note #1, shall be reduced only by the last and final sums that Debtor repays with respect to the Revolving Credit Facility and shall not be reduced by any intervening repayments of Advances by Secured Party until all Indebtedness under Note #2 has been repaid. All Advances (including readvances) shall first be deemed borrowed under Note #1 (to the extent of $1,000,000.) and all repayments of Advances shall first be applied to Note #2.

7. PAYMENT OF PRINCIPAL, INTEREST, FEES AND COSTS AND EXPENSES-Revolving Credit Facility.

7.1. PROMISE TO PAY PRINCIPAL. Debtor promises to pay to Secured Party the outstanding principal of Advances in full upon termination of the Revolving Credit Facility pursuant to Section 13.13, or acceleration of the time for payment of the Indebtedness, pursuant to Section

11.2. Whenever the outstanding principal balance of Advances exceeds the Borrowing Capacity, Debtor shall immediately pay to Secured Party the excess of the outstanding principal balance of Advances over the Borrowing Capacity.

7.2. PROMISE TO PAY INTEREST.

(a) Debtor promises to pay to Secured Party interest on the outstanding principal of Advances from time to time unpaid at either (a) the Variable Rate Option, or (b) the LIBOR Rate Option for the Interest Period selected by Debtor. The amount of principal based upon the LIBOR Rate Option shall be minimum amounts of $50,000.00 for the Interest Period selected by Debtor. From the date of the occurrence of, and during the continuance of, an Event of Default, Debtor, as additional compensation to Secured Party for its increased credit risk promises to pay interest on (i) the principal of Advances, whether or not past due; and (ii) past due interest and any other amount past due under the Transaction Documents, at a per annum rate equal to the Prime Rate plus three percent per annum ("Default Rate" or "Default Rate of Interest").

(b) Interest shall be paid (i) on the first day of each month in arrears, (ii) on the Termination Date, (iii) on acceleration of the time for payment of the Indebtedness, pursuant to Section 11.2, and (iv) on the date the Indebtedness is paid in full.

(c) Any change in the interest rate resulting from a change in the Prime Rate shall take effect simultaneously with such change in the Prime Rate. Whether the Variable Rate Option or LIBOR Rate Option is in effect, interest shall be computed on the daily unpaid principal balance of Advances. Interest shall be calculated for each calendar day at 1/360th of the applicable per annum rate which will result in an effective per annum rate higher than the rate specified herein. In no event shall the rate of interest exceed the maximum rate permitted by applicable law. If Debtor pays to Secured Party interest in excess of the amount permitted by applicable law, such excess shall be applied in reduction of the principal of Advances under the Revolving Credit Facility made pursuant to this Agreement, and any remaining excess interest, after application thereof to the principal of Advances, shall be refunded to Debtor.

(d) At Debtor's option, Debtor may elect to pay interest on one or more Advances for one or more Interest Periods or for the term of this Note, or any period of time, so long as such period is made available by Secured Party and does not extend beyond the Term, subject to the provisions contained herein, by giving notice of such election to the Secured Party by 11:00 a.m. at least three (3) Business Days before the first day of such Advance. If the Debtor does not elect an Interest Rate Option for an Advance, or prior to the expiration of an Interest Period, the Variable Rate Option shall be deemed to have been chosen by Debtor.

(e) At the option of Debtor, Debtor may elect to pay interest on the Indebtedness herein or portion(s) thereof, in minimum amounts of $50,000.00 at the LIBOR Rate Option for the Interest Period selected by the Debtor by giving notice of such election by the Secured Party by 11:00 a.m. at least three (3) Business Days before the first day of such Interest Period.

(f) All written notices of Interest Rate Selection and/or Requests for Advances shall be substantially in the form annexed hereto as Exhibit E, attached hereto and incorporated herein by this reference.

(g) At any time while the LIBOR Rate Option is in effect, Debtor agrees to pay to Secured Party and hold Secured Party harmless from any loss or expense ("breakage fees" or "breakage costs") which Secured Party may sustain or incur as a consequence of such prepayment. Such breakage fees shall equal the amount of the Indebtedness being prepaid, multiplied by a per annum interest rate equal to the difference between the then applicable Base LIBOR Rate and the 360-day equivalent interest yield (hereinafter the "Bank Bid Rate") reasonably selected by the Secured Party in its sole and absolute discretion, for an aggregate amount comparable to the then remaining principal balance of the Indebtedness, and with maturities comparable to the Rollover Date (as hereinafter defined) applicable to the principal balance of the Indebtedness, calculated over a period of time from and including the date of prepayment to, but not including, the Rollover Date applicable to the then remaining principal balance of the Indebtedness being prepaid. If the Base LIBOR Rate applicable to the principal balance of the portion of the Indebtedness being prepaid is equal to or less than the Bank Bid Rate, no LIBOR Rate breakage fee shall be due. The term "Rollover Date" applicable to a particular LIBOR Interest Period shall mean the last day of LIBOR Interest Period. The Secured Party shall submit a certificate to the Debtor setting forth in reasonable detail the amount of the breakage costs, which certificate shall be conclusive in the absence of manifest error. The breakage costs shall also apply to prepayments due as a result of a default. There shall be no breakage costs for any portion of the indebtedness being prepaid bearing interest at the Variable Rate Option.

(h) At any time while the LIBOR Rate Option is in effect, the applicable LIBOR Interest Rate will equal the Adjusted LIBOR Rate plus the LIBOR Margin, based upon the ratio of Funded Debt to Cash Flow, as described herein with respect to the applicable Interest Period. Each determination of a LIBOR Interest Rate shall be made by Secured Party 60 days after the end of Borrower's first, second and third fiscal quarters, and 120 days after the end of Borrowers fiscal year end (provided however that the financial statements required to be delivered to Secured Party has in fact been timely delivered, with time being of the essence), and shall be conclusive and binding upon the Debtor absent manifest error. Secured Party will adjust the LIBOR Margin, and the resulting LIBOR Interest Rate quarterly, with Funded Debt to Cash Flow tested by Secured Party quarterly based upon a rolling four quarter ratio of "Funded Debt" to "Cash Flow" of the Debtor and its Consolidated Subsidiaries, as follows:

"Funded Debt" to "Cash Flow"	"LIBOR Margin"
<5:1	1.25%
≥ 5:1	1.50%

Secured Party will make its determination of the LIBOR Margin based upon the quarterly and/or annual financial statements, 10-K's and 10-Q's of the Debtor and its Consolidated Subsidiaries required to be submitted to Secured Party pursuant to the terms of Section 9.1. hereinbelow. If the

Debtor shall fail to deliver to Secured Party the required financial statements and other required reports, the Revolving Credit Facility shall bear interest at the Variable Rate Option until such statements and reports have been received, provided that no Event of Default has occurred and is continuing, in which case, the Default Rate shall apply.

7.3. PROMISE TO PAY FEES. Debtor promises to pay to Secured Party monthly, on the first day of each calendar month, an unused fee equal to one quarter of one percent (.25%) of $25,000,000.00 less the aggregate average principal balance of all Advances outstanding during the calendar month just ended under the Revolving Credit Facility, calculated for each calendar day at 1/360th of the applicable per annum rate which will result in an effective per annum rate higher than the rate specified herein.

7.4. PROMISE TO PAY COSTS AND EXPENSES.

(a) Debtor agrees to pay to Secured Party, on demand, all costs and expenses as provided in this Agreement, and all costs and expenses incurred by Secured Party from time to time in connection with this Agreement, including, without limitation, those incurred in: (i) preparing, negotiating, amending, waiving, or granting consent with respect to the terms of any or all of the Transaction Documents; (ii) enforcing the Transaction Documents; (iii) performing, pursuant to Section 13.2, Debtor's duties under the Transaction Documents upon Debtor's failure to perform them; (iv) filing financing statements, assignments, or other documents relating to the Collateral (e.g., filing fees, recording taxes, and documentary stamp taxes); (v) realizing upon or protecting any Collateral; (vi) enforcing or collecting any Indebtedness or guaranty thereof; and (vii) upon the occurrence of an Event of Default, employing collection agencies or other agents to collect any or all of the Receivable.

(b) Without limiting Section 7.4(a), Debtor also agrees to pay to Secured Party, on demand, the actual reasonable fees and disbursements incurred by Secured Party for attorneys retained by Secured Party for advice, suit, appeal, or insolvency or other proceedings under the Federal Bankruptcy Code or otherwise upon the occurrence of an Event of Default specified in Section 13.13.

7.5. COMMITMENT FEE. Without limiting any other provision of this Article 7, as a condition to Secured Party extending the Termination Date and increasing the aggregate principal amount of Advances under the Revolving Credit Facility, Debtor will have paid a commitment fee of Twenty Five Thousand ($25,000.00) Dollars, plus such other costs and expenses incurred by Secured Party or attributable to the Revolving Credit facility, including reasonable legal fees of Secured Party's counsel and disbursements thereof;

7.6. ACCOUNT STATED. Debtor agrees that each monthly or other statement of account mailed or delivered by Secured Party to Debtor pertaining to the outstanding balance of Advances, the amount of interest due thereon, fees, and costs and expenses shall be final, conclusive, and binding on Debtor and shall constitute an "account stated" with respect to the matters contained therein unless, within thirty (30) calendar days from when such statement is mailed or, if not mailed,

delivered to Debtor, Debtor shall deliver to Secured Party written notice of any objections which it may have as to such statement of account, and in such event, only the items to which objection is expressly made in such notice shall be considered to be disputed by Debtor.

7.7. ARRANGER FEE. Without limiting any other provision of this Article 7, as a condition to Secured Party extending the Termination Date and increasing the aggregate principal amount of Advances under the Revolving Credit Facility, Debtor will have paid an arranger fee of Fifty Thousand ($50,000.00) Dollars.

8. INTENTIONALLY DELETED PRIOR TO EXECUTION.

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

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

(a) Annual Audited Financial Statements of Debtor. Within one hundred twenty (120) days after the end of each fiscal year, audited consolidated financial statements of Debtor and its Consolidated Subsidiaries as of the end of such year, fairly presenting Debtor's and its Consolidated Subsidiaries' financial position, which statements shall consist of a balance sheet and related statements of income, retained earnings, and cash flow covering the period of Debtor's immediately preceding fiscal year, and which shall be prepared by Debtor and audited by independent certified public accountants satisfactory to Secured Party in the form submitted to the Securities and Exchange Commission, and in accordance with GAAP. At the same time, Debtor shall deliver to Secured Party (i) a copy of the Form 10-K filed with the Securities and Exchange Commission, and internally prepared consolidating financial statements of Debtor and its Consolidated Subsidiaries, and (ii) a covenant compliance certificate certifying that there are no defaults to the Transaction Documents in the form of Exhibit D attached hereto and made a part hereof and otherwise in form and substance reasonably satisfactory to Secured Party, executed by the chairman, president or chief financial officer of Debtor or other financial officer satisfactory to Secured Party. in the form of Exhibit E attached hereto and made a part hereof. All such financial statements and other documents delivered to Secured Party are to be certified as accurate by the chief financial officer of Debtor.

(b) Quarterly 10-Q Reports. Within sixty (60) days of each first, second and third fiscal quarter of each fiscal year, consolidated 10-Q report filed with the Securities and Exchange Commission of Debtor and its Consolidated Subsidiaries as of the end of such period, fairly presenting Debtor's and its Consolidated Subsidiaries' financial position, and internally prepared consolidating financial statements of Debtor and its Consolidated Subsidiaries. At the same time, the Debtor shall deliver to the Secured Party a covenant compliance certificate certifying that there are no defaults to the Transaction Documents in the form of Exhibit D attached hereto and made a part hereof and otherwise in form and substance reasonably satisfactory to Secured Party, executed by the chairman, president or chief financial officer of Debtor or other financial officer satisfactory to

Secured Party. All such reports shall be in such detail as the Securities and Exchange Commission shall request and in accordance with GAAP and shall be signed and certified to be correct by the chief financial officer of Debtor or such other financial officer satisfactory to Secured Party.

(c) Management Letters. In addition, Debtor shall deliver to Secured Party, as soon as available, a true copy of any "Management Letter" or other communication to Debtor, from its certified public accountants regarding matters which arose or were ascertained during the course of their review and which such accountants determined ought to be brought to management's attention.

(d) Other Reporting. Within forty five days of each fiscal quarter of each fiscal year concerning Debtor and all Consolidated Subsidiaries, all such reports to be in form and substance satisfactory to Secured Party in its reasonable discretion:

(i) accounts receivable aging reports; and

(ii) inventory designation reports.

(e) Other Information. Copies of any and all proxy statements, financial statements, and reports which Debtor sends to its shareholders, and copies of any and all periodic and special reports and registration statements which Debtor files with the Securities and Exchange Commission, and such additional information as Secured Party may from time to time reasonably request regarding the financial and business affairs of Debtor or any Consolidated Subsidiary.

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

9.3. INTENTIONALLY DELETED PRIOR TO EXECUTION.

9.4. BOOKS AND RECORDS. Debtor shall maintain, at its own cost and expense, accurate and complete books and records with respect to the Collateral, in form satisfactory to Secured Party, and including, without limitation, records of all payments received and all Credits and Extensions granted with respect to the Receivables, of the return, rejection, repossession, stoppage in transit, loss, damage, or destruction of any Inventory, and of all other dealings affecting the Collateral. Debtor shall deliver such books and records to Secured Party or its representative upon reasonable request. At Secured Party's request, Debtor shall mark all or any records to indicate the Security Interest. Debtor shall further indicate the Security Interest on all financial statements issued by it or shall cause the Security Interest to be so indicated by its accountants.

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

9.6. EXAMINATIONS. Debtor shall at all reasonable times and from time to time permit Secured Party or its agents upon reasonable advance notice to Debtor to inspect the Collateral and to examine and make extracts from, or copies of, any of Debtor's books, ledgers, reports, correspondence, and other records.

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

9.8. RESPONSIBLE PARTIES. Debtor shall notify Secured Party of the occurrence of any event specified in Section 11.1(v)(iv) with respect to any Responsible Party promptly after receiving notice thereof.

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

9.10. LITIGATION.

(a) Debtor shall promptly notify Secured Party in writing of any litigation, proceeding, or counterclaim against, or of any investigation of, Debtor or any Consolidated Subsidiary if: (i) the outcome of such litigation, proceeding, counterclaim, or investigation may materially and adversely affect the finances or operations of Debtor or any Consolidated Subsidiary or title to, or the value of, any Collateral; or (ii) such litigation, proceeding, counterclaim, or investigation questions the validity of any Transaction Document or any action taken, or to be taken, pursuant to any Transaction Document.

(b) Debtor shall furnish to Secured Party such information regarding any such litigation, proceeding, counterclaim, or investigation as Secured Party shall request.

9.11. INSURANCE.

(a) Debtor shall at all times carry and maintain in full force and effect such insurance as Secured Party may from time to time reasonably require, in coverage, form, and amount, and issued by insurers, satisfactory to Debtor and Secured Party, including, without limitation: workers' compensation or similar insurance; public liability insurance; business interruption insurance; and insurance against such other risks as are usually insured against by business entities of established reputation engaged in the same or similar businesses as Debtor and similarly situated.

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

9.12. GOOD STANDING; BUSINESS.

Debtor shall take all necessary steps to preserve its corporate existence and its right to conduct business in all states in which the nature of its business or ownership of its property requires such qualification. Debtor shall take all necessary steps to preserve the legal existence of each of its Consolidated Subsidiaries and each of their respective rights to conduct business in all states in which the nature of their respective businesses or ownership of properties requires such qualification.

9.13. PENSION REPORTS. Upon the occurrence of any Pension Event, Debtor shall furnish to Secured Party, as soon as possible and, in any event, within thirty (30) days after Debtor knows, or has reason to know, of such occurrence, the statement of the president or chief financial officer of Debtor setting forth the details of such Pension Event and the action which Debtor proposes to take with respect thereto.

9.14. NOTICE OF NON-COMPLIANCE. Debtor shall notify Secured Party in writing of any failure by Debtor or any Third Party to comply with any provision of any Transaction Document within ten (10) days of learning of such non-compliance, or if any representation or warranty contained in any Transaction Document is no longer true.

9.15. COMPLIANCE WITH ENVIRONMENTAL LAWS.

(a) Debtor shall comply with all Environmental Laws.

(b) Debtor shall not suffer, cause, or permit the Disposal of Hazardous Substances at any property owned, leased, or operated by it or any domestic Consolidated Subsidiary.

(c) Debtor shall promptly notify Secured Party in the event of the Disposal of any domestic Hazardous Substance at any property owned, leased, or operated by Debtor or any domestic

Consolidated Subsidiary, or in the event of any Release, or threatened Release, of a Hazardous Substance, from any such property.

(d) Debtor shall, at Secured Party's request, provide, at Debtor's expense, updated Environmental Questionnaires concerning any property owned, leased, or operated by Debtor or any domestic Consolidated Subsidiary.

(e) Debtor shall deliver promptly to Secured Party (i) copies of any documents received from the United States Environmental Protection Agency or any state, county, or municipal environmental or health agency concerning Debtor's or any domestic Consolidated Subsidiary's operations and (ii) copies of any documents submitted by Debtor or any domestic Consolidated Subsidiary to the United States Environmental Protection Agency or any state, county, or municipal environmental or health agency concerning its operations.

9.16. DEFEND COLLATERAL. Debtor shall defend the Collateral against the claims and demands of all other parties (other than Secured Party), including, without limitation, defenses, setoffs, and counterclaims asserted by any Account Debtor against Debtor or Secured Party.

9.17. USE OF PROCEEDS. Debtor shall use the proceeds of Advances solely for Debtor's working capital and for such other legal and proper corporate purposes as are consistent with all applicable laws, Debtor's articles or certificate of incorporation and by-laws, resolutions of Debtor's Board of Directors, and the terms of this Agreement.

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

9.19. MAINTENANCE OF PROPERTY. Debtor shall maintain its property, including, without limitation, the Collateral, in good condition and repair and shall prevent the Collateral, or any part thereof, from being or becoming an accession to other goods not constituting Collateral.

9.20 LICENSES, PERMITS, ETC. Debtor shall maintain all of its franchises, grants, authorizations, licenses, permits, easements, consents, certificates, and orders, if any, in full force and effect until their respective expiration dates.

9.21. TRADEMARKS AND PATENTS. Debtor shall maintain all of its trademarks, trademark rights, patents, patent rights, licenses, permits, tradenames, tradename rights, and approvals, if any, in full force and effect until their respective expiration dates.

9.22. ERISA. Debtor shall comply with the provisions of ERISA and the Internal Revenue Code with respect to each Pension Plan.

9.23. MAINTENANCE OF OWNERSHIP. Debtor shall at all times maintain ownership of the percentages of issued and outstanding capital stock of each Consolidated Subsidiary set forth in

Exhibit B and notify Secured Party in writing prior to the incorporation of any new Consolidated Subsidiary.

9.24. ACTIVITIES OF CONSOLIDATED SUBSIDIARIES. Unless the provisions of this Section 9.24 are expressly waived by Secured Party in writing, Debtor shall cause each domestic Consolidated Subsidiary to comply with Sections 9.1, 9.9, 9.11, 9.12, 9.15, 9.26 and 9.18 through 9.22, inclusive, and any of the provisions contained in Schedule, and shall cause each domestic Consolidated Subsidiary to refrain from doing any of the acts proscribed by Sections 10.2, 10.3, and 10.5 through 10.14, inclusive.

9.25. LABOR DISPUTES. Debtor shall notify the Secured Party promptly upon Debtor's learning of any material labor dispute to which Debtor may become a party to, any strikes or walkouts relating to any of its plants or any of its facilities and/or the expiration of any labor contract to which Debtor is a party to or by which Debtor is bound.

9.26. FINANCIAL COVENANTS. The financial covenants to include the following:

(a) The Debtor and its Consolidated Subsidiaries shall maintain, on a consolidated basis, a ratio of Total Liabilities to Tangible Net Worth of not greater than 1.5 to 1 (to be tested quarterly based upon the financial statements required to be presented to Secured Party pursuant to the terms hereof).

(b) The Debtor and its Consolidated Subsidiaries shall maintain, on a consolidated basis, a minimum Tangible Net Worth (to be tested quarterly based upon the financial statements required to be presented to Secured Party pursuant to the terms hereof) of not less than:

(i) at June 30, 2007, the actual Tangible Net Worth at June 30, 2006 plus $1,000,000, and

(ii) at June 30, 2008, the actual Tangible Net Worth at June 30, 2007 plus $1,000,000, and

(iii) at June 30, 2009, the actual Tangible Net Worth at June 30, 2008 plus $1,000,000, and

(iv) at June 30, 2010, the actual Tangible Net Worth at June 30, 2009 plus $1,000,000, and

(v) at June 30, 2011, the actual Tangible Net Worth at June 30, 2010 plus $1,000,000.

(c) At all times, the Debtor and its Consolidated Subsidiaries shall maintain, on a consolidated basis, a ratio of Current Assets to Current Liabilities of not less than 4.00 to 1, to be

tested each fiscal quarter end of each fiscal year, based upon the financial statements required to be presented to Secured Party pursuant to Section 9.1. hereinabove.

(d) The Debtor and its Consolidated Subsidiaries shall maintain, on a consolidated basis, a minimum "Debt Service Coverage Ratio" of 1.25 to 1, to be tested at the end of each fiscal year, based upon the financial statements required to be presented to Secured Party pursuant to Section 9.1 hereinabove. "Debt Service Coverage Ratio" shall mean earnings before interest, taxes, depreciation and amortization, less distributions, all divided by current portion of long term debt as of the prior fiscal year end plus interest expense.

(e) At all times, the Debtor and its Consolidated Subsidiaries shall maintain, on a consolidated basis, a ratio of the aggregate of cash plus Receivables to Current Liabilities of not less than 1.25 to 1, to be tested each fiscal quarter end of each fiscal year, based upon the financial statements required to be presented to Secured Party pursuant to Section 9.1. hereinabove.

(f) At all times, the Debtor and its Consolidated Subsidiaries shall maintain, on a consolidated basis, not less than forty (40%) of the value of all of their identifiable assets (as disclosed in the 10K statement) in the United States, to be tested at each fiscal year end.

(g) The above ratios of this Section 9.26. are being calculated assuming that in the last year of the Loan Agreement, the Advances under the Revolving Credit Facility are viewed as long term debt, unless there is an event of default which is continuing under the Revolving Credit Facility.

9.27. Control of Certain Collateral. In respect of any security interest granted under this Agreement by Debtor in any Collateral which constitutes Investment Property, or Deposit Accounts, Debtor shall enter into one or more control agreements ("Control Agreement") among Debtor, Secured Party and the Securities Intermediary with respect to any Investment Property and among Debtor, Secured Party and the depository bank with respect to each Deposit Account, on terms satisfactory to Bank, giving Control over such property to Secured Party. With respect to such property constituting Securities Accounts, Debtor may at any time make a request to Secured Party to permit trades of certain specified Investment Property held in such Securities Account for other specified Investment Property which shall be held in such Securities Account. Secured Party shall be under no obligation whatsoever to honor such request or to permit or effect, through the Securities Intermediary, or otherwise, any such trades and Secured Party may in its sole and absolute discretion refuse to do so. In no event is Debtor permitted to, and Debtor agrees that Debtor shall not, withdraw any money or property from such Securities Account or modify or terminate any Control Agreement or any customer agreement with the Securities Intermediary under which such Securities Account was established. If any of the Collateral constitutes Letter-of-Credit Rights, Debtor shall at Secured Party's request, enter into an assignment in favor of Secured Party of the proceeds of the letters of credit involved, on terms satisfactory to Secured Party, and cause the issuer of each such letter of credit now existing or hereafter issued to consent to such assignment. If any of the Collateral constitutes Electronic Chattel Paper, Debtor shall, at Secured Party's request, grant control of such Electronic Chattel Paper to Secured Party in accordance with Section 9-105 of the UCC.

Debtor agrees that all items of income, gain, expense and loss recognized in any such Securities Account or Deposit Account, or any Securities Account holding Collateral or in respect of any other Investment Property constituting Collateral, shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of Debtor.

9.28. GUARANTIES. All future domestic Consolidated Subsidiaries shall execute and deliver to Secured Party payment guaranties, general security agreements and such other Transaction Documents that current domestic Consolidated Subsidiaries have heretofore delivered to Secured Party, all in form and substance comparable to what has previously been delivered to Secured Party by existing domestic Consolidated Subsidiaries.

10. NEGATIVE COVENANTS. So long as any part of the Indebtedness remains unpaid or this Agreement remains in effect, Debtor and its Consolidated Subsidiaries, without the written consent of Secured Party, shall not violate any covenant contained otherwise herein and shall not, and Debtor shall not permit its Consolidated Subsidiaries to:

10.1. LOCATION OF INVENTORY, EQUIPMENT, AND BUSINESS RECORDS. Move the Inventory, Equipment or the records concerning the Collateral from the location where they are kept as specified herein, except in the ordinary course of business.

10.2. BORROWED MONEY. Create, incur, assume, or suffer to exist any liability for borrowed money, except to Secured Party and except for permitted Capital Expenditures.

10.3. SECURITY INTEREST AND OTHER ENCUMBRANCES. Create, incur, assume, or suffer to exist any mortgage, security interest, other encumbrance or other Lien upon any of its properties or assets, whether now owned or hereafter acquired (a) except in favor of Secured Party, (b) except all existing liens, mortgages, or encumbrances, and (c) except in connection with the grant of a security interest in Equipment in connection with financing the purchase of Equipment or in connection with the leasing of Equipment in an aggregate amount not to exceed $500,000.00 per fiscal year, so long as Debtor is in compliance with Sections 10.10 and 10.11. herein.

10.4. STORING AND USE OF COLLATERAL. Place the Collateral in any warehouse which may issue a negotiable Document with respect thereto or use the Collateral in violation of any provision of the Transaction Documents, of any applicable statute, regulation, or ordinance, or of any policy insuring the Collateral.

10.5. MERGERS, CONSOLIDATIONS, OR SALES.

(a) Merge or consolidate with or into any corporation; (b) enter into any joint venture or partnership with any person, firm, or corporation; (c) convey, lease, or sell all or any material portion of its property or assets or business to any other person, firm, or corporation except for the sale of Inventory in the ordinary course of its business and in accordance with the terms of this

Agreement; or (d) convey, lease, or sell any of its assets to any person, firm or corporation for less than the fair market value thereof.

10.6. CAPITAL STOCK. Purchase or retire any of its capital stock or issue any capital stock, except (1) in connection with its employee stock option plan and its non-employee stock option plan and (2) pro rata to its present stockholders, or otherwise change the capital structure of Debtor or change the relative rights, preferences, or limitations relating to any of its capital stock, and (iii) Debtor may purchase up to one million shares, in the aggregate, of its own common voting stock, as expressly permitted in Section 2.2 hereinabove.

10.7. DIVIDENDS OR DISTRIBUTIONS. Pay or declare any cash or other dividends or distributions (other than stock dividends or stock distributions) on any of its corporate stock, or permit a Consolidated Subsidiary to pay or declare any cash or other dividends or distributions (other than stock dividends or stock distribution) on any of the corporate stock of any Consolidated Subsidiary other than cash or other dividends or other distributions to Debtor or any other Consolidated Subsidiary.

10.8. INVESTMENTS AND ADVANCES. Make any investment in, or advances to, any other person, firm, or corporation, except (a) advance payments or deposits against purchases made in the ordinary course of Debtor's regular business; (b) direct obligations of the United States of America, money-market funds or certificates of deposit; or (c) any existing investments in, or existing advances to, the Consolidated Subsidiaries.

10.9. GUARANTIES. Become a guarantor, a surety, or otherwise liable for the debts or other obligations of any other person, firm, or corporation, whether by guaranty or suretyship agreement, agreement to purchase indebtedness, agreement for furnishing funds through the purchase of goods, supplies, or services (or by way of stock purchase, capital contribution, advance, or loan) for the purpose of paying or discharging indebtedness, or otherwise, except as an endorser of instruments for the payment of money deposited to its bank account for collection in the ordinary course of business.

10.10. LEASES. Enter, as lessee, into any lease of real or personal property (whether such lease is classified on Debtor's financial statements as a capital lease or operating lease) in excess of $500,000 per fiscal year.

10.11. CAPITAL EXPENDITURES. During any fiscal year during the Loan Period, cause the Capital Expenditures of Debtor and its Consolidated Subsidiaries to exceed, on a combined basis, $2,500,000.

10.12. FINANCIAL STATEMENTS. Fail to deliver the financial statements and reports set forth in Section 9.1. hereof within the time frames specified.

10.13. NAME CHANGE. Change its name without giving at least thirty (30) days prior written notice of its proposed new name to Secured Party, together with delivery to Secured Party of

UCC-1 Financing Statements reflecting Debtor's new name, all in form and substance satisfactory to Secured Party.

10.14. DISPOSITION OF COLLATERAL. Sell, assign, or otherwise transfer, dispose of, or encumber the Collateral or any interest therein, or grant a security interest therein, or license thereof, except to Secured Party and except the sale or lease of Inventory in the ordinary course of business of Debtor and in accordance with the terms of this Agreement.

10.15. FINANCIAL COVENANTS. Fail to comply with the financial covenants set forth in Section 9.26. hereinabove.

10.16. NEGATIVE PLEDGE. Encumber or cause to encumber the assets (personal property, fixtures or real property) of NAPCO/Alarm Lock, NAPCO Europe, NAPCO Cayman Islands, NAPCO Dominican Republic or any other non domestic Consolidated Subsidiary.

10.17. GUARANTY, SECURITY AGREEMENT OF NAPCO GULF SECURITY GROUP, LLC. Fail to execute and deliver to Secured Party the unlimited continuing guaranty and continuing general security agreement of NAPCO Gulf, in the same format as those guaranties and security agreements of Alarm Lock and Continental in favor of Secured Party upon such time as NAPCO Gulf's sales or assets exceeds 10% of the Debtor's consolidated sales or assets, as the case may be.

10.18 PLEDGE OF ASSETS, NEGATIVE PLEDGE OF FUTURE NON DOMESTIC CONSOLIDATED SUBSIDIARIES. Except with respect to NAPCO Cayman Islands and NAPCO Dominican Republic, the obligations as to which are set forth in Section 10.20 hereof, fail to (i) execute and deliver to Secured Party the pledge of 65% of the stock of any future acquired non domestic Consolidated Subsidiary, along with the negative pledge of such non domestic Consolidated Subsidiary, in the same format as those pledge agreements and negative pledge agreements of NAPCO/Alarm Lock and NAPCO Europe, and (ii) deliver to Secured Party the stock pledges and original stock certificates, and such other documents as may be necessary to perfect the pledge of stock in favor of Secured Party.

10.19. GUARANTY, SECURITY AGREEMENT OF FUTURE DOMESTIC CONSOLIDATED SUBSIDIARIES OR ACQUIRED COMPANIES. Fail to execute and deliver to Secured Party the unlimited continuing guaranty and continuing general security agreement of any future acquired domestic Consolidated Subsidiary, in the same format as those guaranties and security agreements of Alarm Lock and Continental in favor of Secured Party.

10.20 PLEDGE OF ASSETS, NEGATIVE PLEDGE OF NAPCO Cayman Islands and NAPCO Dominican Republic. Fail to, prior to the transfer of assets or the funding of NAPCO Cayman Islands and/or NAPCO Dominican Republic, (i) notify the Secured Party in writing of such transfer and/or funding, (ii) execute and deliver to the Secured Party the pledge of 65% of the stock of NAPCO Cayman Islands and/or NAPCO Dominican Republic, along with the negative pledge of such non domestic Consolidated Subsidiary, in the same format and on the same terms as the documents presented to Debtor prior to the date hereof, and (iii) deliver to Secured Party the

stock pledges and original stock certificates to Secured Party in the same format in the same format as those pledge agreements and negative pledge agreements of NAPCO/Alarm Lock and NAPCO Europe, and such other documents as may be necessary to perfect the pledge of stock in favor of Secured Party.

11. EVENTS OF DEFAULT.

11.1. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an event of default (individually, an Event of Default and, collectively, Events of Default):

(a) Nonpayment. Nonpayment when due of any principal, interest, premium, fee, cost, or expense due under the Transaction Documents, and such nonpayment is not cured within ten (10) days after notice thereof by Secured Party to Debtor.

(b) Negative Covenants. Default in the observance of any covenant or agreement of Debtor contained in Article 10, and any such default is not cured by Debtor or waived by Secured Party within ten (10) days after notice thereof by Secured Party to Debtor.

(c) intentionally deleted prior to execution.

(d) Other Covenants. Default in the observance of any of the covenants or agreements of Debtor contained in the Transaction Documents, other than in Article 10 or Sections 7.1, 7.2, 7.3, or 7.4, or in any other agreement with Secured Party which is not remedied within the earlier of thirty (30) days after (i) notice thereof by Secured Party to Debtor, or (ii) ten (10) days after date Debtor was required to give notice to Secured Party under Section 9.14.

(e) Cessation of Business or Voluntary Insolvency Proceedings. The (i) cessation of operations of Debtor's business as conducted on the date of this Agreement; (ii) filing by Debtor of a petition or request for liquidation, reorganization, arrangement, adjudication as a bankrupt, relief as a debtor, or other relief under the bankruptcy, insolvency, or similar laws of the United States of America or any state or territory thereof or any foreign jurisdiction now or hereafter in effect; (iii) making by Debtor of a general assignment for the benefit of creditors; (iv) consent by the Debtor to the appointment of a receiver or trustee, including, without limitation, a "custodian," as defined in the Federal Bankruptcy Code, for Debtor or any of Debtor's assets; (v) making of any, or sending of any, notice of any intended bulk sale by Debtor; or (vi) execution by Debtor of a consent to any other type of insolvency proceeding (under the Federal Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, or settlement of, claims against or winding up of affairs of, Debtor.

(f) Involuntary Insolvency Proceedings. (i) The appointment of a receiver, trustee, custodian, or officer performing similar functions, including, without limitation, a "custodian," as defined in the Federal Bankruptcy Code, for Debtor or any of Debtors assets; or the filing against Debtor of a request or petition for liquidation, reorganization, arrangement, adjudication as a

bankrupt, or other relief under the bankruptcy, insolvency, or similar laws of the United States of America, any state or territory thereof, or any foreign jurisdiction now or hereafter in effect; or of any other type of insolvency proceeding (under the Federal Bankruptcy Code or otherwise) or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against, or winding up of affairs of Debtor shall be instituted against Debtor; and (ii) such appointment shall not be vacated, or such petition or proceeding shall not be dismissed, within sixty (60) days after such appointment, filing, or institution.

(g) Other Indebtedness and Agreements. Failure by Debtor to pay, when due, (or, if permitted by the terms of any applicable documentation, within any applicable grace period) any indebtedness owing by Debtor to Secured Party or any other person or entity (other than the Indebtedness incurred, pursuant to this Agreement, and including, without limitation, indebtedness evidencing a deferred purchase price), whether such indebtedness shall become due by scheduled maturity, by required prepayment, by acceleration, by demand, or otherwise, or failure by the Debtor to perform any term, covenant, or agreement on its part to be performed under any agreement or instrument (other than a Transaction Document) evidencing or securing or relating to any indebtedness owing by Debtor when required to be performed if the effect of such failure is to permit the holder to accelerate the maturity of such indebtedness, and such failure is not cured within thirty (30) days after such failure to pay when due.

(h) Judgments. Any judgment or judgments against Debtor (other than any judgment for which Debtor is fully insured) shall remain unpaid, unstayed on appeal, undischarged, unbonded, or undismissed for a period of thirty (30) days.

(i) Pension Default. Any Reportable Event which Secured Party shall determine in good faith constitutes grounds for the termination of any Pension Plan by the Pension Benefit Guaranty Corporation, or for the appointment by an appropriate United States district court of a trustee to administer any Pension Plan, shall occur and shall continue thirty (30) days after written notice thereof to Debtor by Secured Party; or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan; or a trustee shall be appointed by an appropriate United States district court to administer any Pension Plan; or any Pension Plan shall be terminated; or Debtor or any Consolidated Subsidiary shall withdraw from a Pension Plan in a complete withdrawal or a partial withdrawal; or there shall arise vested unfunded liabilities under any Pension Plan that, in the good faith opinion of Secured Party, have or will or might have a material adverse effect on the finances or operations of Debtor; or Debtor or any Consolidated Subsidiary shall fail to pay to any Pension Plan any contribution which it is obligated to pay under the terms of such plan or any agreement or which is required to meet statutory minimum funding standards, and such pension default is not remedied within thirty (30) days of default;

(j) Collateral; Impairment. There shall occur with respect to the Collateral any (i) misappropriation, conversion, diversion, or fraud; (ii) levy, seizure, or attachment; or (iii) material loss, theft, or damage, and such impairment is not cured to the reasonable satisfaction of Secured Party within ten (10) days of written notice by Secured Party to Debtor.

(k) Insecurity; Change. Secured Party shall reasonably believe in good faith that the prospect of payment of all, or any part, of the Indebtedness or performance of Debtor's obligations under the Transaction Documents or any other agreement between Secured Party and Debtor is impaired; or there shall occur any materially adverse change in the business or financial condition of Debtor.

(l) Third Party Default. There shall occur with respect to any Third Party or any Consolidated Subsidiary, including, without limitation, any guarantor or Consolidated Subsidiary (i) any event described in Section 11.1(e), 11.1(f), 11.1(g), or 11.1(h); (ii) any pension default event such as described in Section 11.1(i) with respect to any pension plan maintained by such Third Party or such Consolidated Subsidiary; or (iii) any failure by Third Party or such Consolidated Subsidiary to perform in accordance with the terms of any agreement between such Third Party and Secured Party, and such Third Party default remains unremedied within thirty (30) days of default.

(m) Representations. Any certificate, statement, representation, warranty, or financial statement furnished by, or on behalf of, Debtor or any Third Party, pursuant to, or in connection with, this Agreement (including, without limitation, representations and warranties contained herein) or as an inducement to Secured Party to enter into this Agreement or any other lending agreement with Debtor shall prove to have been false in any material respect at the time as of which the facts therein set forth were certified or to have omitted any substantial contingent or unliquidated liability or claim against Debtor or any such Third Party, or if on the date of the execution of this Agreement there shall have been any materially adverse change in any of the facts disclosed by any such statement or certificate which shall not have been disclosed in writing to Secured Party at, or prior to, the time of such execution.

(n) Challenge to Validity. Debtor or any Third Party commences any action or proceeding to contest the validity or enforceability of any Transaction Document or any lien or security interest granted or obligations evidenced by any Transaction Document.

(o) Death or Incapacity; Termination. Any Third Party dies or becomes incapacitated, or terminates or attempts to terminate, in accordance with its terms or otherwise, any guaranty or other Transaction Document executed by such Third Party.

(p) Control Agreements/Letters of Credit. If a Control Agreement has been entered into with respect to Investment Property or Deposit Accounts, or Secured Party has control of Electronic Chattel Paper or Letter-of-Credit Rights, the termination or purported termination of such Control Agreement without the consent of Secured Party, or the Securities Intermediary thereto or the custodian or issuer of the property subject to the Control Agreement or the issuer of a letter of credit that has been assigned to Secured Party or the custodian of Electronic Chattel Paper in which Secured Party has been granted a security interest hereunder challenges the validity of or its liability under the Control Agreement, or any default occurs thereunder or disputes the assignment of such property to Secured Party or Secured Party's control of such property.

(q) Location of Collateral within the United States. If, at any time during the Loan Period, Debtor and its Consolidated Subsidiaries shall fail to maintain, on a consolidated basis, not less than fifty (50%) of the value of all of their identifiable assets (as disclosed in the 10K statement) in the United States, to be tested at each fiscal year end.

(r) The occurrence of any of the following events with respect to Debtor or any Responsible Party, or any guarantor of the Indebtedness: (i) the occurrence of an event of default in respect of any other liabilities, obligations or agreements, present future, absolute or contingent, secured or unsecured, matured or unmatured, several or joint, original or acquired, of any of the Responsible Parties to or with Secured Party; (ii) suspension of the usual business activities of any member of any partnership or limited liability company included in the term "the Responsible Parties"; (iii) making, or sending a notice of, an intended bulk transfer; (iv) granting a security interest to anyone other than Secured Party in any property including, without limitation, the rights of any of the Responsible Parties in the Collateral or permitting such security interest to exist; (iv) suspension of payment; (v) the whole or partial suspension or liquidation of its usual business; (vi) commencement against any of the Responsible Parties of any proceeding for enforcement of a money judgment under Article 52 of the New York Civil Practice Law and Rules or amendments thereto; (vii) if any of the Responsible Parties or if any of the Indebtedness or Collateral at any time fails to comply with Regulation U of the Federal Reserve Board or any amendments thereto; (viii) the issuance of any warrant, process or order of attachment, garnishment or lien, and/or the filing of a Lien as a result thereof against any of the property of Debtor or any Responsible Party whether or not Collateral; (ix) any of the Responsible Parties challenges or institutes any proceeding, or any proceedings are instituted, which challenge the validity, binding effect or enforceability of this Agreement; (x) any of the Responsible Parties makes, receives or retains any payment on account of indebtedness subordinated to the Indebtedness in violation of the terms of such subordination; or(xi) any of the Responsible Parties or any partnership or limited liability company of which any of the Responsible Parties is a member is expelled from or suspended by any stock or securities exchange or other exchange.

11.2. EFFECTS OF AN EVENT OF DEFAULT.

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

(b) Upon the happening of one or more Events of Default under Section 11.1(e) or 11.1(f), Secured Party's obligations hereunder shall be cancelled immediately, automatically, and without notice, and the Indebtedness then outstanding shall become immediately due and payable without presentation, demand, or notice of any kind to the Debtor.

12. SECURED PARTY'S RIGHTS AND REMEDIES.

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

12.2. INTENTIONALLY DELETED PRIOR TO EXECUTION.

12.3. POSSESSION OF COLLATERAL. Whenever Secured Party may take possession of the Collateral, pursuant to Section 12.1, Secured Party may take possession of the Collateral on Debtor's premises or may remove the Collateral, or any part thereof, to such other places as the Secured Party may, in its sole discretion, determine. If requested by Secured Party, Debtor shall assemble the Collateral and deliver it to Secured Party at such place as may be designated by Secured Party.

12.4. COLLECTION OF RECEIVABLES. Upon the occurrence of an Event of Default or an event which with notice or lapse of time, or both, would constitute an Event of Default, Secured Party may demand, collect, and sue for all monies and proceeds due, or to become due, on the Receivables (in either Debtor's or Secured Party's name at the latter's option) with the right to enforce, compromise, settle, or discharge any or all Receivables. If Secured Party takes any action contemplated by this Section with respect to any Receivable, Debtor shall not exercise any right that Debtor would otherwise have had to take such action with respect to such Receivable.

12.5. INTENTIONALLY DELETED PRIOR TO EXECUTION

12.6. LICENSE TO USE PATENTS, TRADEMARKS AND TRADENAMES. Debtor grants to Secured Party a royalty-free license to use any and all patents, trademarks, and tradenames now or hereafter owned by, or licensed to, Debtor for the purposes of manufacturing and disposing of Inventory after the occurrence of an Event of Default. All Inventory shall at least meet quality standards maintained by Debtor prior to such Event of Default.

13. MISCELLANEOUS.

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

13.2. PERFORMANCE OF DEBTOR'S DUTIES. Upon Debtor's failure to perform any of its duties under the Transaction Documents, including, without limitation, the duty to obtain

insurance as specified in Section 9.11, Secured Party may, but shall not be obligated to, perform any or all such duties.

13.3. NOTICE OF SALE. Without in any way requiring notice to be given in the following manner, Debtor agrees that any notice by Secured Party of sale, disposition, or other intended action hereunder, or in connection herewith, whether required by the Uniform Commercial Code as in effect in the State or otherwise, shall constitute reasonable notice to Debtor if such notice is mailed by regular or certified mail, postage prepaid, at least five (5) days prior to such action, to Debtor's address or addresses specified above or to any other address which Debtor has specified in writing to Secured Party as the address to which notices hereunder shall be given to Debtor.

13.4. WAIVER BY SECURED PARTY. No course of dealing between Debtor and Secured Party and no delay or omission by Secured Party in exercising any right or remedy under the Transaction Documents or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. All rights and remedies of Secured Party are cumulative.

13.5. WAIVER BY DEBTOR. Secured Party shall have no obligation to take, and Debtor shall have the sole responsibility for taking, any and all steps to preserve rights against any and all Account Debtors and against any and all prior parties to any note, Chattel Paper, draft, trade acceptance or other instrument for the payment of money covered by the Security Interest, whether or not in Secured Party's possession. Secured Party shall not be responsible to Debtor for loss or damage resulting from Secured Party's failure to enforce any Receivables or to collect any moneys due, or to become due, thereunder or other Proceeds constituting Collateral hereunder. Debtor waives protest of any note, check, draft, trade acceptance, or other instrument for the payment of money constituting Collateral at any time held by Secured Party on which Debtor is in any way liable and waives notice of any other action taken by Secured Party, including, without limitation, notice of Secured Party's intent to accelerate the Indebtedness or any part thereof.

13.6. SETOFF. Without limiting any other right of Secured Party, whenever Secured Party has the right to declare any Indebtedness to be immediately due and payable (whether or not it has so declared), Secured Party, at its sole election, may setoff against the Indebtedness any and all monies then or thereafter owed to Debtor by Secured Party in any capacity, whether or not the Indebtedness or the obligation to pay such monies owed by Secured Party is then due, and Secured Party shall be deemed to have exercised such right of setoff immediately at the time of such election even though any charge therefor is made or entered on Secured Party's records subsequent thereto.

13.7. ASSIGNMENT. The rights and benefits of Secured Party hereunder shall, if Secured Party so agrees, inure to any party acquiring any interest in the Indebtedness or any part thereof. Prior to the occurrence of an Event of Default hereunder, Secured Party shall give Debtor ninety (90) days prior written notice of an assignment in full of its interest in the Indebtedness, with the exception of assignments of its interest in the Indebtedness due to acquisition, merger, consolidation, takeover or such other like activity.

13.8. SUCCESSORS AND ASSIGNS. Secured Party and Debtor, as used herein, shall include the successors or assigns of those parties, except that Debtor shall not have the right to assign its rights hereunder or any interest herein.

13.9. MODIFICATION. No modification, rescission, waiver, release, or amendment of any provision of this Agreement shall be made, except as may be provided in a written agreement signed by Debtor and a duly authorized officer of Secured Party.

13.10. COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by Secured Party and Debtor on separate counterparts, each of which, when so executed and delivered, shall be an original, but all of which shall together constitute one and the same Agreement.

13.11. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. Any financial calculation to be made, all financial statements and other financial information to be provided, and all books and records to be kept in connection with the provision of this Agreement, shall be in accordance with GAAP consistently applied during each interval and from interval to interval; provided, however, that in the event changes in GAAP shall be mandated by the Financial Accounting Standards Board or any similar accounting body of comparable standing, or should be recommended by Debtor's certified public accountants, to the extent such changes would affect any financial calculations to be made in connection herewith, such changes shall be implemented in making such calculations only from and after such date as Debtor and Secured Party shall have amended this Agreement to the extent necessary to reflect such changes in the financial and other covenants to which such calculations relate.

13.12. INDEMNIFICATION.

(a) If after receipt of any payment of all, or any part of, the Indebtedness, Secured Party is, for any reason, compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, an impermissible setoff, or a diversion of trust funds, or for any other reason, the Transaction Documents shall continue in full force and Debtor shall be liable, and shall indemnify and hold Secured Party harmless for, the amount of such payment surrendered. The provisions of this Section shall be and remain effective notwithstanding any contrary action which may have been taken by Secured Party in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Secured Party's rights under the Transaction Documents and shall be deemed to have been conditioned upon such payment having become final and irrevocable. The provisions of this Section 13.12(a) shall survive the termination of this Agreement and the Transaction Documents.

(b) Debtor agrees to indemnify, defend and hold harmless Secured Party from, and against, any and all liabilities, claims, damages, penalties, expenditures, losses, or charges, including, but not limited to, all costs of investigation, monitoring, legal representations, remedial response, removal, restoration or permit acquisition, which may now, or in the future, be undertaken, suffered, paid, awarded, assessed, or otherwise incurred by Secured Party or any other person or entity as a

result of the presence of, Release of, or threatened Release of Hazardous Substances on, in, under, or near the property owned, leased or operated by Debtor or any Consolidated Subsidiary. The liability of Debtor under the covenants of this Section 13.12(b) is not limited by any exculpatory provisions in this Agreement or any other documents securing the Indebtedness and shall survive repayment of the Indebtedness or any transfer or termination of this Agreement regardless of the means of such transfer or termination. Debtor agrees that Secured Party shall not be liable in any way for the completeness or accuracy of any Environmental Report or the information contained therein. Debtor further agrees that Secured Party has no duty to warn Debtor or any other person or entity about any actual or potential environmental contamination or other problem that may have become apparent, or will become apparent, to Secured Party.

(c) Debtor agrees to pay, indemnify, and hold Secured Party harmless from, and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever (including, without limitation, counsel and special counsel fees and disbursements in connection with any litigation, investigation, hearing, or other proceeding) with respect, or in any way related, to the existence, execution, delivery, enforcement, performance, and administration of this Agreement and any other Transaction Document (all of the foregoing, collectively, the "Indemnified Liabilities"). The agreements in this Section 13.12(c) shall survive repayment of the Indebtedness.

13.13. TERMINATION.

This Agreement is, and is intended to be, a continuing Agreement and shall remain in full force and effect for the Term and for any renewal term, if any; provided, however, that Secured Party may terminate this Agreement by giving Debtor notice to terminate in writing at least one hundred twenty (120) days prior to the end of the Term whereupon at the end of the Term all Indebtedness shall be due and payable in full without presentation, demand, or further notice of any kind, whether or not all or any part of such Indebtedness is otherwise due and payable pursuant to the agreement or instrument evidencing same. Notwithstanding the above, Secured Party may terminate this Agreement immediately and without further notice (except as specifically provided for herein or in the other Transaction Documents) upon the occurrence of an uncured or unremedied Event of Default herein or under any of the Transaction Documents. In addition, the one hundred twenty (120) day prior notice provision contained in this Section 13.13. does not apply and shall not be enforceable in the event that an uncured default has occurred and is continuing under the Transaction Documents with respect to payment covenants, bankruptcy covenants or bankruptcy events of default, financial covenants contained in Section 9.26. herein, the negative covenants contained in Sections 10.11, 10.15 and 10.16 herein, the cross-default with other creditors covenants, and the event of default specified in Section 11.1. (q). Notwithstanding the foregoing or anything in this Agreement or elsewhere to the contrary, the Security Interest, Secured Party's rights and remedies under the Transaction Documents and Debtor's obligations and liabilities under the Transaction Documents, shall survive any termination of this Agreement and shall remain in full force and effect until all of the Indebtedness outstanding, or contracted or committed for (whether or not outstanding), before the receipt of such notice by Secured Party, and any extensions or renewals thereof (whether made before or after receipt of such notice), together with interest accruing thereon

after such notice, shall be finally and irrevocably paid in full. No Collateral shall be released or financing statement terminated until: (i) such final and irrevocable payment in full of the Indebtedness as described in the preceding sentence; and (ii) Debtor and Secured Party execute a mutual general release, subject to Section 13.12 of this Agreement, in form and substance satisfactory to the Secured Party and Debtor and their counsel.

13.14. FURTHER ASSURANCES. From time to time, Debtor shall take such action and execute and deliver to Secured Party such additional documents, instruments, certificates, and agreements as Secured Party may reasonably request to effectuate the purposes of the Transaction Documents.

13.15. HEADINGS. Article and Section headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

13.16. CUMULATIVE SECURITY INTEREST, ETC. The execution and delivery of this Agreement shall in no manner impair or affect any other security (by endorsement or otherwise) for payment or performance of the Indebtedness, and no security taken hereafter as security for payment or performance of the Indebtedness shall impair in any manner or affect this Agreement, or the security interest granted hereby, all such present and future additional security to be considered as cumulative security.

13.17. SECURED PARTY'S DUTIES. Without limiting any other provision of this Agreement: (a) the powers conferred on Secured Party hereunder are solely to protect its interests and shall not impose any duty to exercise any such powers; and (b) except as may be required by applicable law, Secured Party shall not have any duty as to any Collateral or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral.

13.18. NOTICE GENERALLY. All notices and other communications hereunder shall be made by telegram, telex, electronic transmitter, overnight air courier, or certified or registered mail, return receipt requested, and shall be deemed to be received by the party to whom sent one Business Day after sending, if sent by telegram, telex, electronic transmitter or overnight air courier, and three Business Days after mailing, if sent by certified or registered mail. All such notices and other communications to a party hereto shall be addressed to such party at the address set forth on the cover page hereof or to such other address as such party may designate for itself in a notice to the other party given in accordance with this Section 13.18. Notices to Debtor shall be sent to the attention of the Senior Vice President for Operations and Finance. As of this date the Senior Vice President for Operations and Finance is Kevin Buchel.

13.19. SEVERABILITY. The provisions of this Agreement are independent of, and separable from, each other, and no such provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other such provision may be invalid or unenforceable in whole or in part. If any provision of this Agreement is prohibited or unenforceable in any jurisdiction, such provision shall be ineffective in such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the

balance of such provision to the extent it is not prohibited or unenforceable nor render prohibited or unenforceable such provision in any other jurisdiction.

13.20. INCONSISTENT PROVISIONS. The terms of this Agreement and the other Transaction Documents shall be cumulative except to the extent that they are specifically inconsistent with each other, in which case the terms of this Agreement shall prevail.

13.21. ENTIRE AGREEMENT. This Agreement and the other Transaction Documents constitute the entire agreement and understanding between the parties hereto with respect to the transactions contemplated hereby and supersede all prior negotiations, understandings, and agreements between such parties with respect to such transactions, including, without limitation, those expressed in any commitment letter delivered by Secured Party to Debtor.

13.22. APPLICABLE LAW. THIS AGREEMENT, AND THE TRANSACTIONS EVIDENCED HEREBY, SHALL BE GOVERNED BY, AND CONSTRUED UNDER, THE INTERNAL LAWS OF THE STATE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, AS THE SAME MAY FROM TIME TO TIME BE IN EFFECT, INCLUDING, WITHOUT LIMITATION, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE.

13.23. CONSENT TO JURISDICTION. DEBTOR AND SECURED PARTY AGREE THAT ANY ACTION OR PROCEEDING TO ENFORCE, OR ARISING OUT OF, THE TRANSACTION DOCUMENTS MAY BE COMMENCED IN ANY COURT OF THE STATE IN ANY COUNTY, OR IN THE DISTRICT COURT OF THE UNITED STATES IN ANY DISTRICT, IN WHICH SECURED PARTY HAS AN OFFICE, AND DEBTOR WAIVES PERSONAL SERVICE OF PROCESS AND AGREES THAT A SUMMONS AND COMPLAINT COMMENCING AN ACTION OR PROCEEDING IN ANY SUCH COURT SHALL BE PROPERLY SERVED AND SHALL CONFER PERSONAL JURISDICTION IF SERVED BY REGISTERED OR CERTIFIED MAIL TO DEBTOR, OR AS OTHERWISE PROVIDED BY THE LAWS OF THE STATE OR THE UNITED STATES.

13.24. JURY TRIAL WAIVER. DEBTOR AND SECURED PARTY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY DEBTOR OR SECURED PARTY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS RELATED THERETO. DEBTOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF SECURED PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SECURED PARTY WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. DEBTOR ACKNOWLEDGES THAT SECURED PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION 13.24.

Accepted at Garden City, New York by:

NAPCO SECURITY SYSTEMS, INC.

By:_____
Kevin Buchel
Senior Vice President

HSBC BANK USA, NATIONAL ASSOCIATION, SUCCESSOR BY MERGER TO HSBC BANK USA, FORMERLY KNOWN AS MARINE MIDLAND BANK

By:_____
Christopher J. Mendelsohn
First Vice President

STATE OF NEW YORK)
) **SS:**
COUNTY OF NASSAU)

On this 7th day of September, 2007, before me, the undersigned, a Notary Public in and for said State, personally came **Kevin Buchel,** personally known to me or proved to me on the basis of satisfactory evidence to be the person, whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity and that by his signature on the instrument, the person or entity upon behalf of which the person acted executed the instrument.

NOTARY PUBLIC

YVONNE E. GOODRICH
Notary Public, State of New York
No. 01G05077719
Qualified in Suffolk County
Commission Expires April 10, 2010

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

On this 30th day of August, 2007, before me, the undersigned, a Notary Public in and for said State, personally came **Christopher J. Mendelsohn,** personally known to me or proved to me on the basis of satisfactory evidence to be the person, whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity and that by his signature on the instrument, the person or entity upon behalf of which the person acted executed the instrument.

NOTARY PUBLIC

JOANNE T. CARBONERI
No. 4824891
Notary Public, State of New York
Qualified in Suffolk County
My Commission Expires 4/30/10

EXHIBIT "A"

TRADEMARKS AND PATENTS (S 4.17. of Agreement)

NAPCO TRADEMARK REGISTRATIONS

Registration No.	Mark
3,190,157	NAPCO FREEDOM
3,163,086	NAPCO NETLINK
3,160,223	SECURI-SMART
3,115,658	STARLINK
3,022,105	PLATINUM POWER
3,020,206	N (STYLIZED)
2,992,511	NAPCO
2, 836,766	IQ PROFILER
2,352,649	LIBRA
1,797,807	ON THE SECURITY SCENE
1,803,663	ADAPTIVE
1,738,093	KING OF SENSORS
1,664,889	NAPCO CHAMP
1,742,789	SENSOR WATCH
1,347,382	N NAPCO (and Design)
1,274,956	MAGNUM ALERT
1,274,955	MAGNUM ALERT-800

PENDING NAPCO TRADEMARK APPLICATIONS

Serial Application No.	Mark
78/436,026	WE MAKE THINGS BETTER
76/573,904	IT'S THAT SIMPLE

CONTINENTAL INSTRUMENTS TRADEMARK REGISTRATIONS

Registration No.	Mark
3,018,574	SUPER TWO
3,018,573	TURBO SUPERTERM
2,702,037	CARDACCESS
1,801,972	SMARTIMAGE
1,662,273	PROXPASS
1,684,309	SMARTERM
1,184,540	CARDACCESS 150
0,759,630	CYPHER

ALARM LOCK TRADEMARK REGISTRATIONS

Registration No.	Mark
1,964,155	TRILOGY

NAPCO PATENTS

Number	Title
6,812,836	Alarm system armed and disarmed by a door contact
6,606,777	Method of installing an alarm sensor to a corner wall
6,606,776	Apparatus for installing an alarm sensor to a corner wall
6,591,474	Apparatus and method for installing an alarm sensor to a corner wall
6,494,425	Apparatus and method of installing an alarms sensor to a corner wall
6,225,903	Alarm system armed and disarmed by a deadbolt on a door
6,198,389	Integrated individual sensor control in a security system
6,177,925	Customized overlay template for alarm control panel keypad
5,764,143	Combination temperature unit/intruder sensor utilizing common components
5,684,458	Microwave sensor with adjustable sampling frequency based on environmental Conditions
5,331,308	Automatically adjustable and self-testing dual technology intrusion detection system for minimizing false alarms
D337,513	Bracket for a siren module
D326,619	Keypad for a security system
5,008,840	Multi-zone microprocessor fire control apparatus
D310,791	Keyboard and display panel for an intrusion detection system
D302,952	Microwave arid passive infrared intrusion detector
4,804,942	Verifying automatic line integrity diagnostic (V.A.L.I.D.) apparatus and methods for intrusion detection systems
4,742,183	Methods and techniques for fabricating foldable printed circuit boards
4,667,183	Keyboard hold-down functions for a multi-zone intrusion detection system

NAPCO PENDING PATENT APPLICATION

Serial No.	Title
11/505,721	Security System Interface Module

ALARM LOCK PATENTS

Number	Title
6,486,793	Wireless magnetic lock control system
D346,755	Keypad for a security alarm system

ALARM LOCK PATENT APPLICATION

Serial No.	Title
11/087,975	Wireless Access Control and Event Controller System

EXHIBIT "B"

CONSOLIDATED SUBSIDIARIES (S 4.22. of Agreement)

Company	% of Ownership by Debtor
Alarm Lock Systems, Inc.	100%
NAPCO/Alarm Lock Internacional, S.A. (DR)	99.4% indirect
Continental Instruments LLC	100%
NAPCO Group Europe Limited	100%
NAPCO Gulf Associates, LLC	51%
NAPCO Americas (Cayman Islands)	100%
NAPCO, DR, S.A.	99.4% indirect

EXHIBIT "C"

AUTHORIZED SHARES (S 4.23. of Agreement)

As of September 7, 2007

Authorized:

40,000,000 shares of Common Stock, par value $.01 per share

Issued and Outstanding:

19,510,741 shares of Common stock, par value $.01 per share

EXHIBIT "D"

COMPLIANCE CERTIFICATE

TO: HSBC BANK USA, NATIONAL ASSOCIATION,

The undersigned hereby certifies that:

1. This Compliance Certificate is being delivered pursuant to the provisions of that certain Amended and Restated Loan and Security Agreement dated as of September 7, 2007, (the "Agreement"), by and between **NAPCO SECURITY SYSTEMS, INC.** ("Debtor") and **HSBC BANK USA, NATIONAL ASSOCIATION, SUCCESSOR BY MERGER TO HSBC BANK USA, FORMERLY KNOWN AS MARINE MIDLAND BANK** ("Secured Party"). Any and all initially capitalized terms used herein have the meanings ascribed thereto in the Agreement unless otherwise specifically defined herein.

2. The undersigned is the Senior Vice President of Debtor.

3. The undersigned represents and warrants as follows:

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

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

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

5. The calculations of the financial covenants set forth in Section 9.26 of the Agreements are set forth in the attached sheets.

I hereby certify that the foregoing information to be true and correct in all material respects and execute this Compliance Certificate this 7th day of September, 2007.

NAPCO Security Systems, Inc.

By: _____

Name:
Title:

EXHIBIT "E"

REQUEST FOR ADVANCE AND NOTICE OF INTEREST RATE SELECTION

TO: HSBC Bank USA, National Association,
successor by merger to HSBC Bank USA,
formerly known as Marine Midland Bank
534 Broad Hollow Road
Melville, New York 11747
Attention: Christopher J. Mendelsohn
Fax No.: (631) 752-4340

This Request for Advance Notice of Interest Rate Selection is governed by the terms of the Amended and Restated Loan and Security Agreement dated as of September 7, 2007 made by and between NAPCO SECURITY SYSTEMS, INC. ("Debtor") and HSBC BANK USA, NATIONAL ASSOCIATION, SUCCESSOR BY MERGER TO HSBC BANK USA, FORMERLY KNOWN AS MARINE MIDLAND BANK ("Secured Party") (the "Agreement").

The undersigned hereby **GIVES THE SECURED PARTY IRREVOCABLE NOTICE** that Debtor requests the following Interest Rate under the Agreement as follows:

1. Rate Option and Interest Period. The requested Interest Rate option and Interest Rate Period for the requested amount is ((a) or (b), checked as applicable):

[ ] (a) The Libor Rate Option for an Interest Period of (one checked as applicable):

[ ] one month;
[ ] two months; or
[ ] three months; or
[ ] four months; or
[ ] six months; or
[ ] nine months; or
[ ] twelve months; or

[ ] (b) The Variable Rate Option.

2. The Interest Rate shall be in effect for a requested Advance equaling $_____.

Dated:

NAPCO Security Systems, Inc.

By: _____
Kevin Buchel
Senior Vice President

EXHIBIT "F"

FINANCIAL STATEMENT CERTIFICATION

Date: _____, ____

TO: HSBC Bank USA, National Association

The undersigned, represents and warrants to HSBC Bank USA, National Association, successor by merger to HSBC Bank USA, formerly known as Marine Midland Bank ("Bank"), and hereby certifies to Bank, that:

1. This Financial Statement Certification is being delivered pursuant to the provisions of that certain amended and restated loan and security agreement (the "Agreement") dated as of September 7, 2007 by and between NAPCO SECURITY SYSTEMS, INC. ("Debtor") and HSBC BANK USA, NATIONAL ASSOCIATION, SUCCESSOR BY MERGER TO HSBC BANK USA, FORMERLY KNOWN AS MARINE MIDLAND BANK ("Secured Party"). Any and all initially capitalized terms used herein shall have the meanings ascribed thereto in the Agreement unless otherwise specifically defined herein.

2. The undersigned is the Senior Vice President of the Debtor.

3. The undersigned has reviewed a copy of the attached financial statements with a view toward determining the truth and accurateness of the statements as of the date of such statements.

4. The attached financial statements are complete and correct and present fairly the financial condition and results of operations of Debtor as at such dates. All such financial statements, including the related schedules and notes thereto, if any, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants, the president, or the chief financial officer of Debtor, as the case may be). Since the date of such financial statements, there has been no material adverse change in the business or assets, or in the condition, financial or otherwise, of Debtor. The financial statements do not contain any untrue statement of material fact, or omit to state a material fact necessary in order to make the statements contained therein not misleading.

_____

EXHIBIT "G"

NAMES AND TRADEMARKS (S 4.17. of Agreement)

Owner	Name	Registration Numbers	Filing Date
Napco	NAPCO	2,992,511	7/16/04
Napco	Napco Security Group	N.A.	N.A.
Napco	N NAPCO (and Design)	1,347,382	6/22/84

EXHIBIT "H"

Schedule of Litigation (S 4.11. of Agreement)

There are no pending or threatened material legal proceedings to which NAPCO or its subsidiaries or any of their property is subject, except: as previously reported and described in the Company's Form 10-K, Tobi Gellman, as Trustee of the Mayer Michael Liebowitz Trust v. Napco Security Systems, Inc et al, Robert Minall v. Napco Security Systems, Inc et al, and James and Heather Dill v. Slomins, Napco Security Systems, Inc et al.

In the normal course of business, the Company is a party to claims and/or litigation. Management believes that the settlement of such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Company's financial position and results of operations.

O:\BHPP Department Data\Commercial Mortgage Department Data\COMM.MTG\HSBC.MEL\Napco 2007\EXHIBITS TO LOAN AGR.doc

AMENDED AND RESTATED CONTINUING GENERAL SECURITY AGREEMENT

Dated: As of September 7, 2007

NAME		NO. AND STREET	
Alarm Lock Systems, Inc.		333 Bayview Avenue, Amityville, New York 11701	
CITY, VILLAGE OR TOWN	COUNTY	STATE	
Amityville,	Suffolk,	New York,	("Obligor") and
		LENDING OFFICE, DEPARTMENT OR DIVISION	
HSBC Bank USA, National Association		Queens/Long Island	
NO. AND STREET	CITY	STATE	
534 Broad Hollow Road,	Melville,	New York 11747	("Bank")

Additional Obligor information:

Obligor is/are:

- ☐ individual(s)
- ■ a corporation organized under the laws of Delaware.
- ☐ a limited liability company or partnership organized under the laws of _____.
- ☐ a partnership organized under the laws of _____.
- ☐ a limited partnership organized under the laws of _____
- ☐ other(specify)_____.

Obligor's Tax ID Number (Federal Employer ID Number or if none, Social Security Number): 11-2913578
Obligor's Organization Number: 2147514. (Not necessary if organized in Connecticut, Indiana, Massachusetts, Michigan, Nebraska, New Hampshire, New York, Oklahoma, South Carolina, South Dakota, Vermont or West Virginia).

As used in this Agreement:

"Collateral" means all right, title and interest of Obligor in and to any and all of the following property, whether now or hereafter existing or acquired and wherever located, all products and Proceeds (including but not limited to insurance proceeds) of such property, wherever located and in whatever form, and all books and records pertaining to such property and all other property of Obligor in which Bank now or hereafter is granted a security interest pursuant to this Agreement or otherwise:

[mark or initial the applicable boxes]

Accounts, General Intangibles, Chattel Paper and Instruments,	☐	All Accounts (including, without limitation, Health-Care- Insurance Receivables, credit-card receivables, licensing fees and royalties, and rights to payment for realty sold or leased), General Intangibles (including, without limitation, Payment Intangibles, software, copyrights, patents, trademarks and tax refunds), Chattel Paper (including, without limitation, Electronic Chattel Paper) and Instruments (including Promissory Notes) and all interests of Obligor in all Supporting Obligations and in all Goods which by sale have resulted in Accounts, Instruments, or Chattel Paper.
Imported Inventory and Documents	☐	All Imported Inventory, and all Documents relating to such Inventory.
Inventory and Documents	☐	All Inventory of every description, and all Documents relating to such Inventory.

Equipment	☐	All Equipment of every description and all Accessions thereto.
Fixtures	☐	All Fixtures of every description and all Accessions thereto located at the Collateral Location or at:_____.
Investment Property	☐	Securities Account No. _____ at _____ and any and all successor, substitute and replacement accounts (collectively, the "Securities Account") and all Investment Property, including without limitation, Securities (whether certificated or uncertificated), Financial Assets, Security Entitlements, Commodity Contracts and Commodity Accounts held in the Securities Account.
Deposit Accounts	☐	Deposit Account No. _____ at _____ and any and all successor, substitute and replacement accounts, including all monies now or hereafter held in any such accounts.
Letter-of-Credit Rights	☐	All of Obligor's rights to payment or performance under Letter of Credit No._____, dated _____, in the amount of $_____, issued by _____ for the account of _____
Other Property	☐	All of the following property: _____ _____ _____ _____.
All Property	■	All assets and property of every description (including, without limitation, all Accounts, General Intangibles, Chattel Paper (whether tangible or electronic), Instruments, Letter-of-Credit Rights, Investment Property, Deposit Accounts, Documents, and Goods (including Inventory, Equipment and Fixtures and embedded software, and all Accessions to any Goods), including but not limited to the patents and trademarks of Obligor listed on Schedule A hereof.

"Collateral Location" means the following address(es) where all Collateral consisting of Inventory, Equipment or Fixtures or other tangible property is located:_____333 Bayview Avenue, Amityville, New York 11701_____.

"Obligor" means the Obligor named above and its successors and assigns, and if more than one Person is named as Obligor, "Obligor" shall mean each, any or all of them, and their liabilities and obligations hereunder shall be joint and several.

In consideration of any extension of credit or other financial accommodation heretofore, now or hereafter made by Bank to or for the account of Obligor, or to or for the account of any other Person made by Bank at the request of Obligor or with respect to which Obligor's agreements hereunder have been required by Bank, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Obligor, Obligor agrees as follows:

1. Security Interest; Right of Set-Off. As security for the prompt and unconditional payment and performance of any and all Obligations, Obligor does hereby grant to Bank a continuing lien upon and security interest in, and does hereby pledge, assign and transfer to Bank, all of the Collateral. In order to secure further the payment of the Obligations, Bank is hereby given a continuing lien upon and is granted a security interest in any and

all monies, Deposit Accounts, Investment Property (including, without limitation, all dividends and distributions in respect thereof (whether payable in cash, Investment Property or "in kind"), options or rights, whether in respect of, in addition to, or in exchange for such Investment Property) and any and all other property of Obligor and the Proceeds thereof, now or hereafter actually or constructively held or received by or in transit in any manner to or from Bank, its correspondents or agents from or for Obligor, whether for safekeeping, custody, pledge, transmission, collection or for any other purpose (whether or not for the express purpose of being used by Bank as collateral security), or coming into the possession of Bank or its correspondents or agents in any way, or placed in any safe deposit box leased by Bank to Obligor, and all such monies, Deposit Accounts, Investment Property and other property shall also constitute "Collateral" and shall be held subject to all the terms of this Agreement as collateral security for the prompt and unconditional payment of any and all Obligations. Obligor hereby assigns and grants Bank a security interest in, and Bank is also given a continuing lien on and/or right of set-off for the amount of the Obligations with respect to, any and all Deposit Accounts (general or special and whether or not matured) and credits of Obligor with, and any and all claims of Obligor against, Bank at any time existing and Bank is hereby authorized at any time or times, without prior notice, to apply such Deposit Accounts, or credits or any part thereof, to the Obligations in such amounts as Bank may elect, although the Obligations may be contingent or unmatured, and whether the collateral security therefor is deemed adequate or not.

2. Control of Certain Collateral. In respect of any security interest granted under this Agreement by Obligor in any Collateral which constitutes Investment Property, or Deposit Accounts, Obligor shall enter into one or more control agreements ("Control Agreement") among Obligor, Bank and the Securities Intermediary with respect to any Investment Property and among Obligor, Bank and the depository bank with respect to each Deposit Account, on terms satisfactory to Bank, giving Control over such property to Bank. With respect to such property constituting Securities Accounts, Obligor may at any time make a request to Bank to permit trades of certain specified Investment Property held in such Securities Account for other specified Investment Property which shall be held in such Securities Account. Bank shall be under no obligation whatsoever to honor such request or to permit or effect, through the Securities Intermediary, or otherwise, any such trades and Bank may in its sole and absolute discretion refuse to do so. In no event is Obligor permitted to, and Obligor agrees that Obligor shall not, withdraw any money or property from such Securities Account or modify or terminate any Control Agreement or any customer agreement with the Securities Intermediary under which such Securities Account was established.

If any of the Collateral constitutes Letter-of-Credit Rights, Obligor shall at Bank's request, enter into an assignment in favor of Bank of the proceeds of the letters of credit involved, on terms satisfactory to Bank, and cause the issuer of each such letter of credit now existing or hereafter issued to consent to such assignment.

If any of the Collateral constitutes Electronic Chattel Paper, Obligor shall, at Bank's request, grant control of such Electronic Chattel Paper to Bank in accordance with Section 9-105 of the UCC.

Obligor agrees that all items of income, gain, expense and loss recognized in any such Securities Account or Deposit Account, or any Securities Account holding Collateral or in respect of any other Investment Property constituting Collateral, shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of Obligor.

3. Representations of Obligor. Obligor represents and warrants to Bank that (a) no financing statement or other filing listing any of the Collateral as collateral is on file in any jurisdiction (other than any financing statement filed on behalf of Bank, as secured party) and Obligor has not entered into control agreements in favor of any party except Bank with respect to Collateral constituting Deposit Accounts or Investment Property, nor has Obligor executed in favor of any party except Bank an assignment of the proceeds of any Collateral constituting Letter-of-Credit Rights or granted to any party except Bank control (pursuant to Section 9-105 of the UCC) of any Collateral constituting Electronic Chattel Paper; (b) the chief executive office of Obligor, if any, is located at the address set forth in the space provided therefor in this Agreement and the state of organization of Obligor, if any, is as specified in the space provided therefor in this Agreement; (c) all Collateral, other than intangible property and property which is in the possession of Bank or its agents, is located at the Collateral Location(s) and Obligor has no place of business other than the chief executive office specified herein, if any, and the Collateral Location(s); (d) Obligor has rights in or the power to transfer the Collateral or is the legal and beneficial owner of the Collateral and the Collateral is free and clear of all Liens, other than the Lien created by this Agreement in favor of Bank; (e) if Obligor is not a natural person, the execution, delivery and performance of this Agreement have been duly

authorized by all required corporate, limited liability company, partnership or other applicable actions of Obligor; (f) this Agreement constitutes a valid, binding and enforceable obligation of Obligor; (g) the execution, delivery and performance of this Agreement do not violate any law or any agreement or undertaking to which Obligor is a party or by which Obligor may be bound and do not result in the imposition of any Lien upon any Collateral other than the Lien in favor of Bank created by this Agreement; (h) all consents, approvals, authorizations, permits and licenses necessary for Obligor to enter and perform its obligations under this Agreement and the Obligations and/or to conduct its business have been obtained; and (i) Obligor did not have or conduct business under any name or trade name in any jurisdiction during the past six years other than its name and trade names, if any, set forth on the signature page of this Agreement, and Obligor is entitled to use such name and trade names.

4. Covenants. Unless and until all of the Obligations have been indefeasibly paid in full and all commitments of Bank to extend credit which, once extended, would give rise to Obligations, have expired or been terminated, Obligor shall: (a) keep the Collateral free and clear of any Lien of any kind other than the Lien created by this Agreement or other Liens in favor of Bank; (b) promptly pay, when due, all taxes and transportation, storage, warehousing and other charges and fees affecting or arising out of the Collateral and defend the Collateral against all claims and demands of all Persons at any time claiming any interest therein adverse to or the same as that of Bank; (c) at all times keep all insurable Collateral insured at the expense of Obligor to Bank's satisfaction against loss by fire, theft and any other risks to which the Collateral may be subject, and cause all such policies to be endorsed in favor of Bank and to name Bank as loss payee and as an additional insured, and, if Bank so requests, deposit the same with Bank, and cause all such policies to provide that each insurer will give Bank not less than 30 days' notice in writing prior to the exercise of any right of cancellation; (d) keep the Collateral in good condition at all times (normal wear and tear excepted) and provide Bank with such information as Bank may from time to time request with respect to the location of the Collateral and Obligor's places of business; (e) give Bank at least 30 days' prior written notice before changing Obligor's name or chief executive office or changing the location or disposing of any Collateral (other than in connection with the sale of any Inventory in the ordinary course of business) or change its state of organization; (f), not sell or otherwise dispose of any Collateral except on commercially reasonable terms and in the ordinary course of business (it being understood that Bank does not authorize the sale of any Collateral by Obligor free of the security interest of Bank granted hereunder except that sales by Obligor of Collateral constituting Inventory to buyers in the ordinary course of business shall be free of Bank's security interest unless such security interest has been perfected by possession under UCC Section 9-313); (g) if a Control Agreement has been entered into or Bank otherwise has control of Collateral consisting of Investment Property, Electronic Chattel Paper or Deposit Accounts, cause each Securities Intermediary with custody of any Investment Property and each depository bank with respect to each Deposit Account and each custodian of any Electronic Chattel Paper to send to Bank a complete and accurate copy of every statement, confirmation, notice or other communication concerning the property that such party sends to Obligor; (h) permit Bank, by its officers and agents, to have access to, examine and copy at all reasonable times the Collateral, properties, minute books and other corporate, limited liability company, or partnership records, books of accounts, and financial and other business records of Obligor (including, without limitation, all books, records, ledger cards, computer programs, tapes and computer disks and diskettes and other property recording, evidencing or relating to any Collateral); and (i) promptly notify Bank upon the occurrence of any Event of Default of which Obligor has knowledge.

5. Events of Default. The occurrence of any of the following events shall constitute an Event of Default: (a) the failure of Obligor to pay when due any of the Obligations; (b) any representation or warranty of Obligor to Bank in this Agreement or any other instrument or agreement with or in favor of Bank shall prove to be inaccurate or untrue; (c) the breach by Obligor of any covenant in this Agreement or in any other instrument or agreement with or in favor of Bank; (d) the occurrence of any event of default under any agreement or instrument evidencing or relating to any of the Obligations; (e) intentionally deleted prior to execution; (f) intentionally deleted prior to execution; or (g) if a Control Agreement has been entered into with respect to Investment Property or Deposit Accounts, or Bank has control of Electronic Chattel Paper or Letter-of-Credit Rights, the termination or purported termination of such Control Agreement without the consent of Bank, or the Securities Intermediary thereto or the custodian or issuer of the property subject to the Control Agreement or the issuer of a letter of credit that has been assigned to Bank or the custodian of Electronic Chattel Paper in which Bank has been granted a security interest hereunder challenges the validity of or its liability under the Control Agreement, or any default occurs thereunder or disputes the assignment of such property to Bank or Bank's control of such property. The occurrence of any of the following events with respect to any Obligor, maker, endorser, acceptor, surety or guarantor of, or any other party to, the Obligations or the Collateral shall also constitute an Event of Default: (aa) a default in

respect of any liabilities, obligations or agreements, present or future, absolute or contingent, secured or unsecured, matured or unmatured, several or joint, original or acquired, of any of the Responsible Parties to or with Bank; (bb) death or incompetence (in the case of any of the Responsible Parties who is an individual) or liquidation or dissolution (whether voluntary or involuntary) (in the case of any of the Responsible Parties which is not a natural person); (cc) death or suspension of the usual business activities of any member of any partnership or limited liability company included in the term "the Responsible Parties"; (dd) making, or sending a notice of, an intended bulk transfer; (ee) granting a security interest to anyone other than Bank in any property including, without limitation, the rights of any of the Responsible Parties in the Collateral or permitting such security interest to exist; (ff) suspension of payment; (gg) the whole or partial suspension or liquidation of its usual business; (hh) failing, after demand, to furnish to Bank any financial information or to permit inspection of books and records of account; (ii) making any misrepresentation to Bank for the purpose of obtaining credit or an extension of credit; (jj) failing to pay any tax, or failing to withhold, collect or remit any tax or tax deficiency when assessed or due; (kk) failing to pay when due any obligations, whether or not in writing; (ll) making of any tax assessment by the United States or any state or foreign country; (mm) entry of a judgment or issuance of an order of attachment or an injunction against, or against any of the property of, any of the Responsible Parties; (nn) commencement against any of the Responsible Parties of any proceeding for enforcement of a money judgment under Article 52 of the New York Civil Practice Law and Rules or amendments thereto; (oo) if any of the Responsible Parties or if any of the Obligations or Collateral at any time fails to comply with Regulation U of the Federal Reserve Board or any amendments thereto; (pp) the issuance of any warrant, process or order of attachment, garnishment or lien, and/or the filing of a Lien as a result thereof against any of the property of Obligor whether or not Collateral; (qq) any of the Responsible Parties challenges or institutes any proceeding, or any proceedings are instituted, which challenge the validity, binding effect or enforceability of this Agreement; (rr) any of the Responsible Parties makes, receives or retains any payment on account of indebtedness subordinated to the Obligations in violation of the terms of such subordination; (ss) any of the Responsible Parties or any partnership or limited liability company of which any of the Responsible Parties is a member is expelled from or suspended by any stock or securities exchange or other exchange; (tt) any of the Responsible Parties shall make an assignment for the benefit of creditors or a composition with creditors, shall be unable or admit in writing an inability to pay its respective debts as they mature, shall file a petition in bankruptcy, shall become insolvent (however such insolvency may be evidenced), shall be adjudicated insolvent or bankrupt, shall petition or apply to any tribunal for the appointment of any receiver, liquidator or trustee of or for any of the Responsible Parties or any substantial part of the property or assets of any of the Responsible Parties, shall commence any proceedings relating to it under any bankruptcy, reorganization, arrangement, readjustment of debt, receivership, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or there shall be commenced against any of the Responsible Parties any such proceeding, or any order, judgment or decree approving the petition in any such proceeding shall be entered, or any of the Responsible Parties shall by any act or failure to act indicate its consent to, approval of or acquiescence in any such proceeding or in the appointment of any receiver, liquidator or trustee of or for any of the Responsible Parties or any substantial part of the property or assets of any of the Responsible Parties, or shall suffer any such appointment, or any of the Responsible Parties shall take any action for the purpose of effecting any of the foregoing, or any court of competent jurisdiction shall assume jurisdiction with respect to any such proceeding or a receiver or trustee or other officer or representative of the court or of creditors, or any court, governmental officer or agency, shall under color of legal authority, take and hold possession of any substantial part of the Collateral or the property or assets of any of the Responsible Parties; or (uu) intentionally deleted prior to execution.

6. Remedies of Bank.

(a) After the occurrence of an Event of Default, Bank shall have no obligation to make further loans, extensions of credit or other financial accommodations to or on behalf of Obligor, anything in any other agreement to the contrary notwithstanding.

(b) After the occurrence of an Event of Default, other than an Event of Default referred to in clause (tt) of the second sentence of Section 5, Bank may declare by notice to Obligor, any and all Obligations to be immediately due and payable and in the case of any Event of Default referred to in clause (tt) of the second sentence of Section 5 all of the Obligations shall automatically be and become due and payable, in either case without presentment, demand, protest or notice of any kind, all of which are hereby waived by Obligor, anything in any other agreement to the contrary notwithstanding.

(c) After the occurrence of an Event of Default, Bank may, after notice to or demand upon Obligor, without releasing Obligor from any obligation under this Agreement or any other instruments or agreements with Bank and without waiving any rights Bank may have or impairing any declaration of default or election to cause the Collateral to be sold or any sale proceeding predicated on the same: (i) demand, collect or receive upon all or any part of the Collateral and assemble or require Obligor, at Obligor's expense, to assemble all or any part of the Collateral and, if Bank so requests, Obligor shall assemble the Collateral and make it available to Bank at a place to be designated by Bank; (ii) upon notice, demand or other process and without charge enter any of Obligor's premises and without breach of peace until Bank completes the enforcement of its rights in the Collateral, take possession of such premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of Obligor's equipment for the purpose of completing any work-in-process, preparing any Collateral for disposition and disposing of or collecting any Collateral, and in exercise of its rights under this Agreement, without payment of compensation of any kind, use any and all trademarks, trade styles, trade names, patents, patent applications, licenses, franchises and the like to the extent of Obligor's rights therein and Obligor hereby grants a license and the right to grant sublicenses for that purpose; (iii) in such manner and to such extent as Bank may deem necessary to protect the Collateral or the interests, rights, powers or duties of Bank, enter into and upon any premises of Obligor and take and hold possession of all or any part of the Collateral (Obligor hereby waiving and releasing any claim for damages in respect of such taking) and exclude Obligor and all other Persons from the Collateral, operate and manage the Collateral and rent and lease the same, perform such reasonable acts of repair or protection as may be reasonably necessary or proper to conserve the value of the Collateral, collect any and all income, rents, issues, profits and proceeds from the Collateral, the same being hereby assigned and transferred to Bank, and from time to time apply or accumulate such income, rents, issues, profits and proceeds in such order and manner as Bank, in its sole discretion, shall instruct, it being understood that the collection or receipt of income, rents, issues, profits or proceeds from the Collateral after declaration of default and election to cause the Collateral to be sold under and pursuant to the terms of this Agreement shall not affect or impair any event of default or declaration of default under any agreement or instrument between Obligor and Bank or election to cause any Collateral to be sold or any sale proceedings predicated on the same, but such proceedings may be conducted and sale effected notwithstanding the collection or receipt of any such income, rents, issues, profits and proceeds; (iv) deliver a notice of exclusive control under any Control Agreement specifying that Bank has the exclusive right to give Entitlement Orders with respect to the Investment Property covered by such Control Agreement or to otherwise direct the disposition of any Deposit Account subject to a Control Agreement or any Electronic Chattel Paper or Letter-of-Credit Rights controlled by Bank; (v) take control of any and all of the Accounts, contractual or other rights that are included in the Collateral and Proceeds arising from any such Accounts or contractual or other rights, enforce collection, either in the name of Bank or in the name of Obligor, of any or all of the Accounts, contractual and other rights that are included in the Collateral and Proceeds by suit or otherwise, receive, receipt for, surrender, release or exchange all or any part of such Collateral or compromise, settle, extend or renew (whether or not longer than the original period) any indebtedness under such Collateral; (vi) sell all or any part of the Collateral at public or private sale at such place or places and at such time or times and in such manner and upon such terms, whether for cash or credit, as Bank in its sole discretion may determine; (vii) endorse in the name of Obligor any Instrument, however received by Bank, representing Collateral or Proceeds of any of the Collateral; (viii) require Obligor to turn over, or instruct the financial institutions holding the same to turn over, all monies and investments in any of Obligor's accounts to Bank; and (viii) exercise all the rights and remedies granted to a secured party under the UCC, and all other rights and remedies given to Bank under this Agreement or any other instrument or agreement or otherwise available at law or in equity. Bank shall be under no obligation to make any of the payments or do any of the acts referred to in this Section 6 or elsewhere in this Agreement and any of the actions referred to in this Section 6 or elsewhere in this Agreement may be taken regardless of whether any notice of default or election to sell has been given under this Agreement (provided, however, that all notices required by law, the giving of which may not be waived, shall be given in accordance with such law) without regard to the adequacy of the security for the Obligations.

(d) Obligor hereby waives notice of the sale of any Collateral by Bank pursuant to any provision of this Agreement or any applicable provisions of the UCC, or other applicable law. In the event that notice of the sale of Collateral cannot be waived or Bank gives notice of such sale to Obligor, Bank will give Obligor notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition thereof is to be made by sending notice, as provided below, at least ten days before the time of the sale or disposition, which provisions for notice Obligor and Bank agree are reasonable. No such

notice need be given by Bank with respect to Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

(e) Bank may apply the net proceeds of any sale, lease or other disposition of Collateral, after deducting all costs and expenses of every kind incurred thereon or incidental to the retaking, holding, preparing for sale, selling, leasing, or the like of the Collateral or in any way relating to the rights of Bank thereunder, including attorneys' fees and expenses hereinafter provided for, to the payment, in whole or in part, in such order as Bank may elect, of one or more of the Obligations, whether due or not due, absolute or contingent, making proper rebate for interest or discount on items not then due, and only after so applying such net proceeds and after the payment by Bank of any other amounts required by any existing or future provision of law (including Section 9-615(a)(3) of the Uniform Commercial Code of any jurisdiction in which any of the Collateral may at the time be located) need Bank account for the surplus, if any. Obligor shall remain liable to Bank for the payment of any deficiency, with interest at the default rate provided for in the instruments, if any, evidencing the Obligations, but if there is no such instrument with respect to any Obligation or no default rate is specified therein, at a variable rate equal to 4% above Bank's reference lending rate applicable to domestic commercial loans as established by Bank from time to time, but in no event shall such rate exceed the maximum rate allowed by law. Bank may make loans to its customers above, at or below its reference rate.

(f) Whether or not an Event of Default shall have occurred, Bank may sell all or any part of the Collateral, although the Obligations may be contingent or unmatured, whenever in its discretion Bank considers such sale necessary for its protection. Any such sale may be made without prior demand for payment on account, margin or additional margin or any other demands whatsoever; the making of any such demands shall not establish a course of conduct nor constitute a waiver of the right of Bank to sell the Collateral as herein provided or of the right of Bank to accelerate the maturity of the Obligations as herein provided.

7. Additional Rights of Bank and Duties of Obligor Regarding Obligations and Collateral.

(a) If Obligor, as registered holder of any Collateral, shall become entitled to receive or does receive any stock or other certificate, option, right, dividend or other distribution (whether payable in cash, Investment Property or "in kind"), whether in respect of, as an addition to, in substitution of, or in exchange for, such Collateral, or otherwise, Obligor agrees to accept same as Bank's agent and to hold same in trust for Bank, and to forthwith deliver the same to Bank in the exact form received, with Obligor's endorsement when necessary or requested by Bank, to be held by Bank as Collateral.

(b) Obligor waives protest, demand for payment, notice of default or nonpayment to Obligor or any other party liable for or upon any of said Obligations or Collateral.

(c) Obligor consents that the obligation of any party upon or of any guarantor, surety or indemnitor for, any Obligations or any collateral may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, settled or released and that any collateral or Liens for any Obligations may, from time to time, in whole or in part, be exchanged, sold, released or surrendered, by Bank, all without any notice to, or further assent by, or any reservation of rights against, Obligor, and all without in any way affecting or releasing the liability of Obligor with respect to such Obligations or any security interest hereby created.

(d) Bank shall not be liable for failure to collect or realize upon the Obligations or upon any collateral, or any part thereof, or for any delay in so doing, nor shall Bank be under any obligation to take any action whatsoever with regard thereto. Bank shall use reasonable care in the custody and preservation of the Collateral in its possession but need not take any steps to preserve rights against prior parties or to keep the Collateral identifiable. Bank shall have no obligation to comply with any recording, re-recording, filing, re-filing or other legal requirements necessary to establish or maintain the validity, priority or enforceability of, or Bank's rights in and to the Collateral or any other collateral or any part thereof. Bank may exercise any right of Obligor with respect to any Collateral. Bank shall have no duty to exercise any of the aforesaid rights, privileges or options with respect to any collateral and shall not be responsible for any failure to do so or delay in so doing.

(e) In any statutory or non-statutory proceeding affecting Obligor or any Collateral, Bank or its nominee may, whether or not an Event of Default shall have occurred and regardless of the amount of the

Obligations, file a proof of claim for the full amount of any Collateral and vote such Claim for the full amount thereof (i) for or against any proposal or resolution; (ii) for a trustee or trustees or for a committee of creditors; and/or (iii) for the acceptance or rejection of any proposed arrangement, plan of reorganization, wage earners' plan, composition or extension; and Bank or its nominee may receive any payment or distribution and give acquittance therefor and may exchange or release any Collateral.

(f) Whether or not an Event of Default shall have occurred, Bank may, without notice to or demand upon Obligor, (i) commence, appear in or defend any action or proceeding purporting to affect all or any part of the Collateral or the interests, rights, powers or duties of Bank, whether brought by or against Obligor or Bank; and/or (ii) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of Bank may affect or appear to affect the Collateral or the interests, rights, powers or duties of Bank.

(g) Any and all Investment Property granted to and/or held by Bank as Collateral hereunder, whether or not in a Securities Account of Obligor and whether or not subject to a Control Agreement, may, without notice (and whether or not an Event of Default exists), be registered in the name of Bank or its nominee or be transferred to a Securities Account held in the name of Bank or its nominee, or otherwise be under the Control of Bank with Bank as the Entitlement Holder, without disclosing that Bank is a secured party. Bank may at its option at any time whether not an Event of Default has occurred become the customer with respect to a Deposit Account constituting Collateral hereunder on which Bank is not the depository bank. Obligor hereby irrevocably appoints Bank acting through its officers, employees and agents as its attorney-in-fact, at Obligor's own cost and expense, to act on Obligor's behalf to register in the name of Bank or its nominee any or all such Investment Property and/or to transfer such Investment Property to a Securities Account of and in the name of Bank, with Bank being the Entitlement Holder of such Securities Account and having Control thereof, and/or to enter into agreements with the issuers of such Investment Property pursuant to which the issuers will agree to comply with the instructions of Bank without consent by Obligor, and to take such other action as Bank may deem appropriate to fully perfect and protect its security interest in the Investment Property and related Securities Account, if any. **Obligor may at any time make a request to Bank to permit a substitution of Investment Property constituting Collateral, whether or not subject to a Control Agreement or held in a Securities Account, either by delivery or transfer to Bank of new Investment Property or by a request made to Bank to sell certain specified Investment Property constituting Collateral, whether held in a Securities Account subject to a Control Agreement or held in the name of Bank or its nominees in a Securities Account or otherwise, and to purchase other specified Investment Property, but Bank shall be under no obligation whatsoever to honor such request or to permit or effect, through a Securities Intermediary, or otherwise, such a substitution and Bank may in its sole and absolute discretion refuse to do so.** Bank or such nominee (after an Event of Default and regardless of the amount of the Obligations) may, without notice, exercise all voting and corporate rights at any meeting of any corporation issuing such Investment Property, and (whether or not an Event of Default exists and regardless of the amount of the Obligations) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to such Investment Property as if the absolute owner thereof, including, without limitation, the right to exchange, at its discretion, any and all of such Investment Property for other Investment Property or any other property upon the merger, consolidation, reorganization, recapitalization or other readjustment of any corporation issuing the same or upon the exercise by the issuing corporation or Bank of any right, privilege or option pertaining to such Investment Property, and in connection therewith, to deposit and deliver any and all of such Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it. **BANK SHALL HAVE NO DUTY OR OBLIGATION TO EXERCISE ANY OF THE AFORESAID RIGHTS, PRIVILEGES OR OPTIONS OR TO AGREE TO ANY SUCH REQUEST AND SHALL NOT BE RESPONSIBLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN SO DOING, OR FOR ANY LOSS IN THE VALUE OF THE COLLATERAL RESULTING FROM BANK'S ACTION OR INACTION.**

8. Sale of Collateral Consisting of Securities. Obligor recognizes that Bank may be unable to effect a public sale of any securities which may constitute a portion of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933 and applicable state securities laws and instead may resort to one or more private sales of such Collateral to a restricted group of purchasers who would be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Obligor recognizes and agrees that, because of this restriction, sales of securities may result in prices and other terms less favorable to the seller than if the disposition were made pursuant to a public sale and,

notwithstanding such circumstances, agrees that any such private or limited sale or sales shall be deemed to have been made in a commercially reasonable manner. Bank shall be under no obligation to delay a sale of any of the securities constituting part of the Collateral for the period of time necessary to permit the issuer of such securities to register them for public sale under the Securities Act of 1933 or under applicable state securities laws.

9. Collection Rights of Bank. Obligor agrees that at any time, if an Event of Default shall have occurred, Bank shall have the right to notify any account debtor (with respect to any Collateral consisting of Accounts, General Intangibles or Chattel Paper), or the person liable on any Instrument or other right or claim of Obligor to any payment which is Collateral or the issuer of any securities constituting Investment Property (with respect to any Collateral consisting of Investment Property), or the custodian of any Collateral consisting of Deposit Accounts or Electronic Chattel Paper, or the issuer of any letters of credit subject to the control of Bank, to make payment directly to Bank, whether or not an Event of Default shall have occurred and whether or not Obligor was theretofore making collections on such Collateral, and also to take control of any Proceeds Bank is entitled to under Section 9-315 of the UCC. If any Collateral consists of rights or claims of Obligor to any payment, then at Bank's request, Obligor shall promptly notify (in manner, form and substance satisfactory to Bank) all Persons obligated to Obligor under any such rights or claims of Obligor to any payment that Bank possesses a security interest in such rights or claims of Obligor to any payment and that all payments in respect of such rights or claims of Obligor to any payment are to be made directly to Bank. Obligor shall not settle, compromise or adjust any disputed amount, or allow any credit, rebate or discount with respect to any right or claim of Obligor to any payment which constitutes Collateral. After Bank shall have given any notice of the type specified in the first sentence of this Section 9, any and all amounts received by Obligor from the account debtor or other obligor or issuer so notified shall be promptly remitted to Bank, and until so remitted shall be segregated by Obligor and held in trust for Bank.

10. Additional Security. If Bank shall at any time hold security for any Obligations in addition to the Collateral, Bank may enforce the terms of this Agreement or otherwise realize upon the Collateral, at its option, either before or concurrently with the exercise of remedies as to such other security or, after a sale is made of such other security, it may apply the proceeds upon the Obligations without affecting the status of or waiving any right to exhaust all or any other security, including the Collateral, and without waiving any breach or default or any right or power whether exercised under this Agreement, contained in this Agreement, or provided for in respect of any such other security.

11. Preservation and Protection of Security Interest; Power of Attorney. Obligor will faithfully preserve and protect the Lien in the Collateral created by this Agreement and will, at its own cost and expense, cause such Lien to be perfected and continue to be perfected and to be and remain prior to all other Liens, so long as all or any part of the Obligations are outstanding and unpaid, and for such purpose Obligor will from time to time at the request of Bank (i) make notations of the security interest in certificates of title of Collateral, a security interest in which is perfected by such notation, and deliver the same to Bank, (ii) make notations of Bank's security interest on all tangible Chattel Paper constituting Collateral hereunder; (iii) deliver possession of Collateral (concurrent with the acquisition of such Collateral) to Bank, a security interest in which is perfected by the taking of possession or at Bank's option, cause each Person in possession of Collateral to acknowledge that it is holding the Collateral for the benefit of Bank, and (iv) file or record, or cause to be filed or recorded, such instruments, documents and notices, including financing statements and amendments thereof (in jurisdictions in which Bank is unable to file financing statements or amendments without signature or authentication by Obligor based on the authorization to do so contained herein), as Bank may reasonably deem necessary or advisable from time to time in order to perfect and continue to perfect such Liens and to maintain their priority over all other Liens. Obligor will do all such other acts and things and will execute and deliver all such other instruments and documents, including further security agreements, pledges, endorsements, stock powers, assignments, and notices as Bank may reasonably deem necessary or advisable from time to time in order to perfect and preserve the priority of the Liens in the Collateral as contemplated by this Agreement. Bank, acting through its officers, employees and authorized agents, is hereby irrevocably appointed the attorney-in-fact of Obligor to do, at Obligor's expense, all acts and things which Bank may reasonably deem necessary or advisable to preserve, perfect, continue to perfect and/or maintain the priority of such Liens in the Collateral, including the signing of financing, continuation or other similar statements and notices on behalf of Obligor, and which Obligor is required to do by the terms of this Agreement, the registration of any and all Investment Property held by Bank as Collateral hereunder in the name of Bank or its nominee or the transfer of same to a Securities Account held in the name of Bank or its nominee. Obligor hereby authorizes Bank to file financing statements with respect to the Collateral and any proceeds of the Collateral and hereby ratifies and

consents to the filing of any such financing statements by Bank prior to the date this agreement is executed. Obligor shall pay all filing fees for financing statements with respect to the Collateral.

12. Risk of Loss; Insurance. Risk of loss of, damage to or destruction of the Collateral is and shall remain upon Obligor. If Obligor fails to obtain and keep in force insurance covering the Collateral as required by Section 4 of this Agreement, or fails to pay the premiums on such insurance when due, Bank may, but is not obligated to, do so for the account of Obligor and the cost of so doing shall thereupon become an Obligation. Such amounts shall be payable by Obligor upon demand by Bank and following demand shall bear interest at a variable rate equal to 4% above Bank's reference lending rate applicable to domestic commercial loans as established by Bank from time to time, but in no event shall such rate exceed the maximum rate allowed by law. Bank, acting through its officers, employees and authorized agents, is hereby irrevocably appointed the attorney-in-fact of Obligor to endorse any draft or check that may be payable to Obligor in order to collect the proceeds of such insurance or any return or unearned premiums.

13. Change in Law. In the event of the passage, after the date of this Agreement, of any law which has the effect of changing in any way the laws now in force for the taxation of security documents such as this Agreement or debts secured by such security documents or the manner of the collection of any such taxes so as in any case to affect this Agreement or to impose payment of the whole or any portion of any taxes, assessments or other similar charges against the Collateral upon Bank, the Obligations shall immediately become due and payable at the option of Bank and upon 30 days' notice to Obligor.

14. Expenses. Obligor hereby agrees to pay any and all expenses incurred by Bank in enforcing any rights under this Agreement or in defending any of its rights to any amounts received hereunder. Without limiting the foregoing, Obligor agrees that whenever any attorney is used by Bank to obtain payment hereunder, to advise it as to its rights, to adjudicate the rights of the parties hereunder or for the defense of any of its rights to amounts secured, received or to be received hereunder, Bank shall be entitled to recover all reasonable attorneys' fees and disbursements, court costs and all other expenses attributable thereto.

15. Notices. Each notice or other communication hereunder shall be in writing, shall be sent by messenger, by registered or certified first class mail, return receipt requested, by Federal Express, Express Mail or other recognized overnight delivery service or by facsimile transmitter or tested telex (if such facsimile or telex number is noted as provided herein), and shall be effective if by hand, upon delivery, if by such overnight delivery service, one (1) day after dispatch, and if mailed by first class mail as above-provided, five (5) days after mailing, and shall be sent as follows:

If to Obligor, to the address, facsimile or tested telex number set forth below its signature or such other address, facsimile or tested telex number as it may designate, by written notice to Bank as herein provided or to any other address, facsimile or tested telex number as may appear in the records of Bank as Obligor's address.

If to Bank, to the HSBC BANK USA address that appears on the first page of this Agreement, or such other address as it may designate, by written notice to Obligor as herein provided.

16. Additional Definitions. The following terms have the following meanings unless otherwise specified herein:

"Accessions," "Account," "Chattel Paper," "Commodity Accounts," "Commodity Contracts," "Control," , "Deposit Account", "Document," "Electronic Chattel Paper," "Entitlement Holder," "Entitlement Order," "Equipment," "Financial Assets," "Fixtures," "General Intangibles," "Goods," "Health-Care-Insurance Receivables," "Instrument," "Inventory," "Investment Property," "Payment Intangibles," "Proceeds," "Promissory Notes," "Securities," "Securities Account," "Securities Entitlements," "Securities Intermediary" and "Supporting Obligations" have the meanings assigned to those terms by the UCC.

"Agreement" means this Continuing General Security Agreement.

"Bank" means HSBC BANK USA, a New York State chartered bank, and its successors and assigns, and any Person acting as agent or nominee for HSBC BANK USA and any corporation the stock of which is owned or controlled directly or indirectly by, or is under common control with, HSBC BANK USA and/or HSBC Holdings plc.

"Claims" means each "claim" as that term is defined under Section 101(5) of the United States Bankruptcy Code, and any amendments thereto (Title 11, United States Code).

"Event of Default" means any of the events described in Section 5 of this Agreement.

"Imported Inventory" means all Inventory of Obligor of every description imported from outside of the United States, including but not limited to Inventory consisting of parts or components produced in whole or in part in the United States and sent outside of the United States for assembly, completion or packaging.

"Lien" means any lien, security interest, pledge, hypothecation, encumbrance or other claim in or with respect to any property.

"Obligations" means any and all indebtedness, obligations and liabilities of Obligor to Bank, and all Claims of Bank against Obligor, now existing or hereafter arising, direct or indirect (including participations or any interest of Bank in indebtedness of Obligor to others), acquired outright, conditionally, or as collateral security from another, absolute or contingent, joint or several, secured or unsecured, matured or unmatured, monetary or non-monetary, arising out of contract or tort, liquidated or unliquidated, arising by operation of law or otherwise, and all extensions, renewals, refundings, replacements and modifications of any of the foregoing.

"Person" means any natural person, corporation, limited liability company, partnership, trust, government or other association or legal entity.

"Responsible Parties" includes all Obligors and all makers, endorsors, acceptors, sureties and guarantors of, and all other parties to, the Obligations or the Collateral.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York.

17. Miscellaneous. This Agreement shall remain in full force and effect and shall be binding upon Obligor, its successors and assigns, in accordance with its terms, notwithstanding any increase, decrease or change in the partners of Obligor, if it should be a partnership, or the merger, consolidation, or reorganization of Obligor, if it be a corporation or a limited liability company, or any other change concerning the form, structure or substance of any such entity. If there is more than one Person named as an Obligor in this Agreement, this Agreement shall be binding upon each of Obligors who execute and deliver this Agreement to Bank even if this Agreement is not executed by any other Person or Persons also named as an Obligor herein. Bank may assign all or a portion of its rights under this Agreement and may deliver the Collateral, or any part thereof, to any assignee and such assignee shall thereupon become vested with all the powers and rights given to Bank in respect thereof; and Bank shall thereafter be forever relieved and discharged from any liability or responsibility in the matter but, with respect to any Collateral not so delivered or assigned, Bank shall retain all powers and rights given to it hereby. The execution and delivery hereafter to Bank by Obligor of a new security agreement shall not terminate, supersede or cancel this Agreement, unless expressly provided therein, and this Agreement shall not terminate, supersede or cancel any security agreement previously delivered to Bank by Obligor, and all rights and remedies of Bank hereunder or under any security agreement hereafter or heretofore executed and delivered to Bank by Obligor shall be cumulative and may be exercised singly or concurrently. **This Agreement may not be changed or terminated orally, but only by a writing executed by Obligor and a duly authorized officer of Bank; provided, that Bank is authorized to fill in any blank spaces and to otherwise complete this Agreement and correct any patent errors herein.** Unless Bank, in its discretion, otherwise agrees, the security interests granted in this Agreement shall not terminate until all of the Obligations have been indefeasibly paid in full and all commitments of Bank to extend credit which, once extended, would give rise to Obligations have expired or been terminated. No delay on the part of Bank in exercising any of its options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. No modification or waiver of this Agreement or any provision hereof or of any other agreement or instrument made or issued in connection herewith or contemplated hereby, nor consent to any departure by Obligor therefrom, shall in any event be effective, irrespective of any course of dealing between the parties, unless the same shall be in a

writing executed by a duly authorized officer of Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Obligor in any case shall thereby entitle Obligor to any other or further notice or demand in the same, similar or other circumstances. The remedies herein provided are cumulative and not exclusive of any other remedies provided at equity or by law and all such remedies may be exercised singly or concurrently. If any one or more of the provisions contained in this Agreement or any document executed in connection herewith shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not (to the full extent permitted by law) in any way be affected or impaired. The descriptive headings used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any provision hereof. The word "including" shall be deemed to be followed by the words "without limitation." Obligor waives any and all notice of the acceptance of this Agreement by Bank, or of the creation, accrual or maturity (whether by declaration or otherwise) of any and all Obligations, or of any renewals or extensions thereof from time to time, or of Bank's reliance on this Agreement.

18. Governing Law; Consent to Jurisdiction; Service of Process. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed wholly within that state. Obligor hereby consents to the jurisdiction of the courts of the State of New York and the courts of the United States of America for the Southern District of New York and consents that any action or proceeding hereunder may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and authorizes the service of process on Obligor by registered or certified mail sent to any address authorized in Section 15 as an address for the sending of notices.

19. RIGHT OF BANK TO ARBITRATE DISPUTES.

(a) **OBLIGOR AGREES THAT ANY ACTION, DISPUTE, PROCEEDING, CLAIM OR CONTROVERSY BETWEEN OR AMONG THE PARTIES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE ("DISPUTE" OR "DISPUTES") SHALL, AT BANK'S ELECTION, WHICH ELECTION MAY BE MADE AT ANY TIME PRIOR TO THE COMMENCEMENT OF A JUDICIAL PROCEEDING BY BANK, OR IN THE EVENT OF A JUDICIAL PROCEEDING INSTITUTED BY OBLIGOR, AT ANY TIME PRIOR TO THE LAST DAY TO ANSWER AND/OR RESPOND TO A SUMMONS AND/OR COMPLAINT MADE BY OBLIGOR, BE RESOLVED BY ARBITRATION IN NEW YORK, NEW YORK IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 19 AND SHALL, AT THE ELECTION OF BANK, INCLUDE ALL DISPUTES ARISING OUT OF OR IN CONNECTION WITH (I) THIS AGREEMENT OR ANY RELATED AGREEMENTS OR INSTRUMENTS, (II) ALL PAST, PRESENT AND FUTURE AGREEMENTS INVOLVING THE PARTIES, (III) ANY TRANSACTION CONTEMPLATED HEREBY AND ALL PAST, PRESENT AND FUTURE TRANSACTIONS INVOLVING THE PARTIES AND (IV) ANY ASPECT OF THE PAST, PRESENT OR FUTURE RELATIONSHIP OF THE PARTIES.** Bank may elect to require arbitration of any Dispute with Obligor without thereby being required to arbitrate all Disputes between Bank and Obligor. Any such Dispute shall be resolved by binding arbitration in accordance with Article 75 of the New York Civil Practice Law and Rules and the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). In the event of any inconsistency between such Rules and these arbitration provisions, these provisions shall supersede such Rules. All statutes of limitations which would otherwise be applicable shall apply to any arbitration proceeding under this subsection 19(a). In any arbitration proceeding subject to these provisions, the arbitration panel (the "arbitrator") is specifically empowered to decide (by documents only, or with a hearing, at the arbitrator's sole discretion) pre-hearing motions which are substantially similar to pre-hearing motions to dismiss and motions for summary adjudication. In any such arbitration proceeding, the arbitrator shall not have the power or authority to award punitive damages to any party. Judgment upon the award rendered may be entered in any court having jurisdiction. Whenever an arbitration is required, the parties shall select an arbitrator in the manner provided in subsection 19(d).

(b) No provision of, nor the exercise of any rights under, subsection 19(a) shall limit the right of any party (i) to foreclose against any real or personal property collateral through judicial foreclosure, by the exercise of a power of sale under a deed of trust, mortgage or other security agreement or instrument, pursuant to applicable provisions of the UCC, or otherwise pursuant to applicable law, (ii) to exercise self help remedies

including but not limited to setoff and repossession, or (iii) to request and obtain from a court having jurisdiction before, during or after the pendency of any arbitration, provisional or ancillary remedies and relief including but not limited to injunctive or mandatory relief or the appointment of a receiver. The institution and maintenance of an action or judicial proceeding for, or pursuit of, provisional or ancillary remedies or exercise of self help remedies shall not constitute a waiver of the right of Bank, even if Bank is the plaintiff, to submit the Dispute to arbitration if Bank would otherwise have such right.

(c) Bank may require arbitration of any Dispute(s) concerning the lawfulness, unconscionableness, propriety, or reasonableness of any exercise by Bank of its right to take or dispose of any Collateral or its exercise of any other right in connection with Collateral including, without limitation, judicial foreclosure, exercising a power of sale under a deed of trust or mortgage, obtaining or executing a writ of attachment, taking or disposing of property with or without judicial process pursuant to Article 9 of the UCC or otherwise as permitted by applicable law, notwithstanding any such exercise by Bank.

(d) Whenever an arbitration is required under subsection 19(a), the arbitrator shall be selected, except as otherwise herein provided, in accordance with the Commercial Arbitration Rules of the AAA. A single arbitrator shall decide any claim of $100,000 or less and he or she shall be an attorney with at least five years' experience. Where the claim of any party exceeds $100,000, the Dispute shall be decided by a majority vote of three arbitrators, at least two of whom shall be attorneys (at least one of whom shall have not less than five years' experience representing commercial banks).

(e) In the event of any Dispute governed by this Section 19, each of the parties shall, subject to the award of the arbitrator, pay an equal share of the arbitrator's fees. The arbitrator shall have the power to award recovery of all costs and fees (including attorneys' fees, administrative fees, arbitrator's fees, and court costs) to the prevailing party.

20. WAIVER OF TRIAL BY JURY. **EACH OF BANK AND OBLIGOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, COUNTERCLAIM OR CROSS-CLAIM BROUGHT BY OR AGAINST IT ON ANY MATTERS WHATSOEVER, IN CONTRACT OR IN TORT, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR THE OBLIGATIONS.**

21. WAIVER OF CERTAIN OTHER RIGHTS. **OBLIGOR HEREBY WAIVES THE RIGHT TO INTERPOSE ANY DEFENSE, SET-OFF, COUNTERCLAIM (EXCEPT COMPULSORY COUNTERCLAIMS) OR CROSS-CLAIM OF ANY NATURE OR DESCRIPTION, ANY OBJECTION BASED ON FORUM NON CONVENIENS OR VENUE, AND ANY CLAIM FOR CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES.**

22. GOVERNING PROVISIONS. To the extent that there is a conflict between that certain amended and restated loan and security agreement by and between NAPCO Security Systems, Inc. ("NAPCO") and Bank dated as of even date hereof, as may be amended, extended or otherwise modified and/or restated from time to time (the "Loan Agreement") and this Agreement, the terms of the Loan Agreement shall govern.

23. This Agreement replaces and supplants in its entirety (i) the general security agreement made by Obligor to Marine Midland Bank, now known as HSBC Bank USA, National Association, successor by merger to HSBC Bank USA dated May 12, 1997, and (ii) the amended and restated continuing general security agreement dated October 21, 2004, by Obligor in favor of Bank, as reaffirmed from time to time.

IN WITNESS WHEREOF, Obligor(s) has/have executed this Amended and Restated Continuing General Security Agreement.

Address of
Chief Executive Office:

333 Bayview Avenue
Amityville, New York 11701

Alarm Lock Systems, Inc.

By: _____
Kevin Buchel
Vice President

STATE OF NEW YORK)
) **SS:**
COUNTY OF NASSAU)

On this 7th day of September, 2007, before me, the undersigned, a Notary Public in and for said State, personally came **Kevin Buchel,** personally known to me or proved to me on the basis of satisfactory evidence to be the person, whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity and that by his signature on the instrument, the person or entity upon behalf of which the person acted executed the instrument.

_____
NOTARY PUBLIC

YVONNE E. GOODRICH
Notary Public, State of New York
No. 01G05077719
Qualified in Suffolk County
Commission Expires April 10, 2010

SCHEDULE A – List of Patents and Trademarks

ALARM LOCK TRADEMARK REGISTRATIONS

Registration No.	Mark
1,964,155	TRILOGY

ALARM LOCK PATENTS

Number	Title
6,486,793	Wireless magnetic lock control system
D346,755	Keypad for a security alarm system

ALARM LOCK PATENT APPLICATION

Serial No.	Title
11/087,975	Wireless Access Control and Event Controller System

O:\BHPP Department Data\Commercial Mortgage Department Data\COMM.MTG\HSBC.MEL\Napco 2007\Continuing General Security-Alarm Lock.doc

AMENDED AND RESTATED CONTINUING GENERAL SECURITY AGREEMENT

Dated: As of September 7, 2007

NAME		NO. AND STREET	
Continental Instruments LLC		333 Bayview Avenue, Amityville, New York 11701	
CITY, VILLAGE OR TOWN	COUNTY	STATE	
Amityville,	Suffolk,	New York,	("Obligor") and
		LENDING OFFICE, DEPARTMENT OR DIVISION	
HSBC Bank USA, National Association		Queens/Long Island	
NO. AND STREET	CITY	STATE	
534 Broad Hollow Road,	Melville,	New York 11747	("Bank")

Additional Obligor information:

Obligor is/are:

- ☐ individual(s)
- ☐ a corporation organized under the laws of_____.
- ■ a limited liability company or partnership organized under the laws of New York.
- ☐ a partnership organized under the laws of _____.
- ☐ a limited partnership organized under the laws of _____
- ☐ other(specify)_____.

Obligor's Tax ID Number (Federal Employer ID Number or if none, Social Security Number): 11-3556419
Obligor's Organization Number:_____. (Not necessary if organized in Connecticut, Indiana, Massachusetts, Michigan, Nebraska, New Hampshire, New York, Oklahoma, South Carolina, South Dakota, Vermont or West Virginia).

As used in this Agreement:

"Collateral" means all right, title and interest of Obligor in and to any and all of the following property, whether now or hereafter existing or acquired and wherever located, all products and Proceeds (including but not limited to insurance proceeds) of such property, wherever located and in whatever form, and all books and records pertaining to such property and all other property of Obligor in which Bank now or hereafter is granted a security interest pursuant to this Agreement or otherwise:

[mark or initial the applicable boxes]

Accounts, General Intangibles, Chattel Paper and Instruments,	☐	All Accounts (including, without limitation, Health-Care- Insurance Receivables, credit-card receivables, licensing fees and royalties, and rights to payment for realty sold or leased), General Intangibles (including, without limitation, Payment Intangibles, software, copyrights, patents, trademarks and tax refunds), Chattel Paper (including, without limitation, Electronic Chattel Paper) and Instruments (including Promissory Notes) and all interests of Obligor in all Supporting Obligations and in all Goods which by sale have resulted in Accounts, Instruments, or Chattel Paper.
Imported Inventory and Documents	☐	All Imported Inventory, and all Documents relating to such Inventory.
Inventory and Documents	☐	All Inventory of every description, and all Documents relating to such Inventory.

Equipment	☐	All Equipment of every description and all Accessions thereto.
Fixtures	☐	All Fixtures of every description and all Accessions thereto located at the Collateral Location or at:_____.
Investment Property	☐	Securities Account No. _____ at _____ and any and all successor, substitute and replacement accounts (collectively, the "Securities Account") and all Investment Property, including without limitation, Securities (whether certificated or uncertificated), Financial Assets, Security Entitlements, Commodity Contracts and Commodity Accounts held in the Securities Account.
Deposit Accounts	☐	Deposit Account No. ----------at ---------- and any and all successor, substitute and replacement accounts, including all monies now or hereafter held in any such accounts.
Letter-of-Credit Rights	☐	All of Obligor's rights to payment or performance under Letter of Credit No._____, dated _____, in the amount of $_____, issued by _____ for the account of _____
Other Property	☐	All of the following property: _____ _____ _____ _____.
All Property	■	All assets and property of every description (including, without limitation, all Accounts, General Intangibles, Chattel Paper (whether tangible or electronic), Instruments, Letter-of-Credit Rights, Investment Property, Deposit Accounts, Documents, and Goods (including Inventory, Equipment and Fixtures and embedded software, and all Accessions to any Goods), including but not limited to the patents and trademarks of Obligor listed on Schedule A hereof.

"Collateral Location" means the following address(es) where all Collateral consisting of Inventory, Equipment or Fixtures or other tangible property is located:_____333 Bayview Avenue, Amityville, New York 11701__.

"Obligor" means the Obligor named above and its successors and assigns, and if more than one Person is named as Obligor, "Obligor" shall mean each, any or all of them, and their liabilities and obligations hereunder shall be joint and several.

In consideration of any extension of credit or other financial accommodation heretofore, now or hereafter made by Bank to or for the account of Obligor, or to or for the account of any other Person made by Bank at the request of Obligor or with respect to which Obligor's agreements hereunder have been required by Bank, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Obligor, Obligor agrees as follows:

1. Security Interest; Right of Set-Off. As security for the prompt and unconditional payment and performance of any and all Obligations, Obligor does hereby grant to Bank a continuing lien upon and security interest in, and does hereby pledge, assign and transfer to Bank, all of the Collateral. In order to secure further the payment of the Obligations, Bank is hereby given a continuing lien upon and is granted a security interest in any and

all monies, Deposit Accounts, Investment Property (including, without limitation, all dividends and distributions in respect thereof (whether payable in cash, Investment Property or "in kind"), options or rights, whether in respect of, in addition to, or in exchange for such Investment Property) and any and all other property of Obligor and the Proceeds thereof, now or hereafter actually or constructively held or received by or in transit in any manner to or from Bank, its correspondents or agents from or for Obligor, whether for safekeeping, custody, pledge, transmission, collection or for any other purpose (whether or not for the express purpose of being used by Bank as collateral security), or coming into the possession of Bank or its correspondents or agents in any way, or placed in any safe deposit box leased by Bank to Obligor, and all such monies, Deposit Accounts, Investment Property and other property shall also constitute "Collateral" and shall be held subject to all the terms of this Agreement as collateral security for the prompt and unconditional payment of any and all Obligations. Obligor hereby assigns and grants Bank a security interest in, and Bank is also given a continuing lien on and/or right of set-off for the amount of the Obligations with respect to, any and all Deposit Accounts (general or special and whether or not matured) and credits of Obligor with, and any and all claims of Obligor against, Bank at any time existing and Bank is hereby authorized at any time or times, without prior notice, to apply such Deposit Accounts, or credits or any part thereof, to the Obligations in such amounts as Bank may elect, although the Obligations may be contingent or unmatured, and whether the collateral security therefor is deemed adequate or not.

2. Control of Certain Collateral. In respect of any security interest granted under this Agreement by Obligor in any Collateral which constitutes Investment Property, or Deposit Accounts, Obligor shall enter into one or more control agreements ("Control Agreement") among Obligor, Bank and the Securities Intermediary with respect to any Investment Property and among Obligor, Bank and the depository bank with respect to each Deposit Account, on terms satisfactory to Bank, giving Control over such property to Bank. With respect to such property constituting Securities Accounts, Obligor may at any time make a request to Bank to permit trades of certain specified Investment Property held in such Securities Account for other specified Investment Property which shall be held in such Securities Account. Bank shall be under no obligation whatsoever to honor such request or to permit or effect, through the Securities Intermediary, or otherwise, any such trades and Bank may in its sole and absolute discretion refuse to do so. In no event is Obligor permitted to, and Obligor agrees that Obligor shall not, withdraw any money or property from such Securities Account or modify or terminate any Control Agreement or any customer agreement with the Securities Intermediary under which such Securities Account was established.

If any of the Collateral constitutes Letter-of-Credit Rights, Obligor shall at Bank's request, enter into an assignment in favor of Bank of the proceeds of the letters of credit involved, on terms satisfactory to Bank, and cause the issuer of each such letter of credit now existing or hereafter issued to consent to such assignment.

If any of the Collateral constitutes Electronic Chattel Paper, Obligor shall, at Bank's request, grant control of such Electronic Chattel Paper to Bank in accordance with Section 9-105 of the UCC.

Obligor agrees that all items of income, gain, expense and loss recognized in any such Securities Account or Deposit Account, or any Securities Account holding Collateral or in respect of any other Investment Property constituting Collateral, shall be reported to the Internal Revenue Service and all state and local taxing authorities under the name and taxpayer identification number of Obligor.

3. Representations of Obligor. Obligor represents and warrants to Bank that (a) no financing statement or other filing listing any of the Collateral as collateral is on file in any jurisdiction (other than any financing statement filed on behalf of Bank, as secured party) and Obligor has not entered into control agreements in favor of any party except Bank with respect to Collateral constituting Deposit Accounts or Investment Property, nor has Obligor executed in favor of any party except Bank an assignment of the proceeds of any Collateral constituting Letter-of-Credit Rights or granted to any party except Bank control (pursuant to Section 9-105 of the UCC) of any Collateral constituting Electronic Chattel Paper; (b) the chief executive office of Obligor, if any, is located at the address set forth in the space provided therefor in this Agreement and the state of organization of Obligor, if any, is as specified in the space provided therefor in this Agreement; (c) all Collateral, other than intangible property and property which is in the possession of Bank or its agents, is located at the Collateral Location(s) and Obligor has no place of business other than the chief executive office specified herein, if any, and the Collateral Location(s); (d) Obligor has rights in or the power to transfer the Collateral or is the legal and beneficial owner of the Collateral and the Collateral is free and clear of all Liens, other than the Lien created by this Agreement in favor of Bank; (e) if Obligor is not a natural person, the execution, delivery and performance of this Agreement have been duly

authorized by all required corporate, limited liability company, partnership or other applicable actions of Obligor; (f) this Agreement constitutes a valid, binding and enforceable obligation of Obligor; (g) the execution, delivery and performance of this Agreement do not violate any law or any agreement or undertaking to which Obligor is a party or by which Obligor may be bound and do not result in the imposition of any Lien upon any Collateral other than the Lien in favor of Bank created by this Agreement; (h) all consents, approvals, authorizations, permits and licenses necessary for Obligor to enter and perform its obligations under this Agreement and the Obligations and/or to conduct its business have been obtained; and (i) Obligor did not have or conduct business under any name or trade name in any jurisdiction during the past six years other than its name and trade names, if any, set forth on the signature page of this Agreement, and Obligor is entitled to use such name and trade names.

4. Covenants. Unless and until all of the Obligations have been indefeasibly paid in full and all commitments of Bank to extend credit which, once extended, would give rise to Obligations, have expired or been terminated, Obligor shall: (a) keep the Collateral free and clear of any Lien of any kind other than the Lien created by this Agreement or other Liens in favor of Bank; (b) promptly pay, when due, all taxes and transportation, storage, warehousing and other charges and fees affecting or arising out of the Collateral and defend the Collateral against all claims and demands of all Persons at any time claiming any interest therein adverse to or the same as that of Bank; (c) at all times keep all insurable Collateral insured at the expense of Obligor to Bank's satisfaction against loss by fire, theft and any other risks to which the Collateral may be subject, and cause all such policies to be endorsed in favor of Bank and to name Bank as loss payee and as an additional insured, and, if Bank so requests, deposit the same with Bank, and cause all such policies to provide that each insurer will give Bank not less than 30 days' notice in writing prior to the exercise of any right of cancellation; (d) keep the Collateral in good condition at all times (normal wear and tear excepted) and provide Bank with such information as Bank may from time to time request with respect to the location of the Collateral and Obligor's places of business; (e) give Bank at least 30 days' prior written notice before changing Obligor's name or chief executive office or changing the location or disposing of any Collateral (other than in connection with the sale of any Inventory in the ordinary course of business) or change its state of organization; (f), not sell or otherwise dispose of any Collateral except on commercially reasonable terms and in the ordinary course of business (it being understood that Bank does not authorize the sale of any Collateral by Obligor free of the security interest of Bank granted hereunder except that sales by Obligor of Collateral constituting Inventory to buyers in the ordinary course of business shall be free of Bank's security interest unless such security interest has been perfected by possession under UCC Section 9-313); (g) if a Control Agreement has been entered into or Bank otherwise has control of Collateral consisting of Investment Property, Electronic Chattel Paper or Deposit Accounts, cause each Securities Intermediary with custody of any Investment Property and each depository bank with respect to each Deposit Account and each custodian of any Electronic Chattel Paper to send to Bank a complete and accurate copy of every statement, confirmation, notice or other communication concerning the property that such party sends to Obligor; (h) permit Bank, by its officers and agents, to have access to, examine and copy at all reasonable times the Collateral, properties, minute books and other corporate, limited liability company, or partnership records, books of accounts, and financial and other business records of Obligor (including, without limitation, all books, records, ledger cards, computer programs, tapes and computer disks and diskettes and other property recording, evidencing or relating to any Collateral); and (i) promptly notify Bank upon the occurrence of any Event of Default of which Obligor has knowledge.

5. Events of Default. The occurrence of any of the following events shall constitute an Event of Default: (a) the failure of Obligor to pay when due any of the Obligations; (b) any representation or warranty of Obligor to Bank in this Agreement or any other instrument or agreement with or in favor of Bank shall prove to be inaccurate or untrue; (c) the breach by Obligor of any covenant in this Agreement or in any other instrument or agreement with or in favor of Bank; (d) the occurrence of any event of default under any agreement or instrument evidencing or relating to any of the Obligations; (e) intentionally deleted prior to execution; (f) intentionally deleted prior to execution; or (g) if a Control Agreement has been entered into with respect to Investment Property or Deposit Accounts, or Bank has control of Electronic Chattel Paper or Letter-of-Credit Rights, the termination or purported termination of such Control Agreement without the consent of Bank, or the Securities Intermediary thereto or the custodian or issuer of the property subject to the Control Agreement or the issuer of a letter of credit that has been assigned to Bank or the custodian of Electronic Chattel Paper in which Bank has been granted a security interest hereunder challenges the validity of or its liability under the Control Agreement, or any default occurs thereunder or disputes the assignment of such property to Bank or Bank's control of such property. The occurrence of any of the following events with respect to any Obligor, maker, endorser, acceptor, surety or guarantor of, or any other party to, the Obligations or the Collateral shall also constitute an Event of Default: (aa) a default in

respect of any liabilities, obligations or agreements, present or future, absolute or contingent, secured or unsecured, matured or unmatured, several or joint, original or acquired, of any of the Responsible Parties to or with Bank; (bb) death or incompetence (in the case of any of the Responsible Parties who is an individual) or liquidation or dissolution (whether voluntary or involuntary) (in the case of any of the Responsible Parties which is not a natural person); (cc) death or suspension of the usual business activities of any member of any partnership or limited liability company included in the term "the Responsible Parties"; (dd) making, or sending a notice of, an intended bulk transfer; (ee) granting a security interest to anyone other than Bank in any property including, without limitation, the rights of any of the Responsible Parties in the Collateral or permitting such security interest to exist; (ff) suspension of payment; (gg) the whole or partial suspension or liquidation of its usual business; (hh) failing, after demand, to furnish to Bank any financial information or to permit inspection of books and records of account; (ii) making any misrepresentation to Bank for the purpose of obtaining credit or an extension of credit; (jj) failing to pay any tax, or failing to withhold, collect or remit any tax or tax deficiency when assessed or due; (kk) failing to pay when due any obligations, whether or not in writing; (ll) making of any tax assessment by the United States or any state or foreign country; (mm) entry of a judgment or issuance of an order of attachment or an injunction against, or against any of the property of, any of the Responsible Parties; (nn) commencement against any of the Responsible Parties of any proceeding for enforcement of a money judgment under Article 52 of the New York Civil Practice Law and Rules or amendments thereto; (oo) if any of the Responsible Parties or if any of the Obligations or Collateral at any time fails to comply with Regulation U of the Federal Reserve Board or any amendments thereto; (pp) the issuance of any warrant, process or order of attachment, garnishment or lien, and/or the filing of a Lien as a result thereof against any of the property of Obligor whether or not Collateral; (qq) any of the Responsible Parties challenges or institutes any proceeding, or any proceedings are instituted, which challenge the validity, binding effect or enforceability of this Agreement; (rr) any of the Responsible Parties makes, receives or retains any payment on account of indebtedness subordinated to the Obligations in violation of the terms of such subordination; (ss) any of the Responsible Parties or any partnership or limited liability company of which any of the Responsible Parties is a member is expelled from or suspended by any stock or securities exchange or other exchange; (tt) any of the Responsible Parties shall make an assignment for the benefit of creditors or a composition with creditors, shall be unable or admit in writing an inability to pay its respective debts as they mature, shall file a petition in bankruptcy, shall become insolvent (however such insolvency may be evidenced), shall be adjudicated insolvent or bankrupt, shall petition or apply to any tribunal for the appointment of any receiver, liquidator or trustee of or for any of the Responsible Parties or any substantial part of the property or assets of any of the Responsible Parties, shall commence any proceedings relating to it under any bankruptcy, reorganization, arrangement, readjustment of debt, receivership, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or there shall be commenced against any of the Responsible Parties any such proceeding, or any order, judgment or decree approving the petition in any such proceeding shall be entered, or any of the Responsible Parties shall by any act or failure to act indicate its consent to, approval of or acquiescence in any such proceeding or in the appointment of any receiver, liquidator or trustee of or for any of the Responsible Parties or any substantial part of the property or assets of any of the Responsible Parties, or shall suffer any such appointment, or any of the Responsible Parties shall take any action for the purpose of effecting any of the foregoing, or any court of competent jurisdiction shall assume jurisdiction with respect to any such proceeding or a receiver or trustee or other officer or representative of the court or of creditors, or any court, governmental officer or agency, shall under color of legal authority, take and hold possession of any substantial part of the Collateral or the property or assets of any of the Responsible Parties; or (uu) intentionally deleted prior to execution.

6. Remedies of Bank.

(a) After the occurrence of an Event of Default, Bank shall have no obligation to make further loans, extensions of credit or other financial accommodations to or on behalf of Obligor, anything in any other agreement to the contrary notwithstanding.

(b) After the occurrence of an Event of Default, other than an Event of Default referred to in clause (tt) of the second sentence of Section 5, Bank may declare by notice to Obligor, any and all Obligations to be immediately due and payable and in the case of any Event of Default referred to in clause (tt) of the second sentence of Section 5 all of the Obligations shall automatically be and become due and payable, in either case without presentment, demand, protest or notice of any kind, all of which are hereby waived by Obligor, anything in any other agreement to the contrary notwithstanding.

(c) After the occurrence of an Event of Default, Bank may, after notice to or demand upon Obligor, without releasing Obligor from any obligation under this Agreement or any other instruments or agreements with Bank and without waiving any rights Bank may have or impairing any declaration of default or election to cause the Collateral to be sold or any sale proceeding predicated on the same: (i) demand, collect or receive upon all or any part of the Collateral and assemble or require Obligor, at Obligor's expense, to assemble all or any part of the Collateral and, if Bank so requests, Obligor shall assemble the Collateral and make it available to Bank at a place to be designated by Bank; (ii) without notice, demand or other process and without charge enter any of Obligor's premises and without breach of peace until Bank completes the enforcement of its rights in the Collateral, take possession of such premises or place custodians in exclusive control thereof, remain on such premises and use the same and any of Obligor's equipment for the purpose of completing any work-in-process, preparing any Collateral for disposition and disposing of or collecting any Collateral, and in exercise of its rights under this Agreement, without payment of compensation of any kind, use any and all trademarks, trade styles, trade names, patents, patent applications, licenses, franchises and the like to the extent of Obligor's rights therein and Obligor hereby grants a license and the right to grant sublicenses for that purpose; (iii) in such manner and to such extent as Bank may deem necessary to protect the Collateral or the interests, rights, powers or duties of Bank, enter into and upon any premises of Obligor and take and hold possession of all or any part of the Collateral (Obligor hereby waiving and releasing any claim for damages in respect of such taking) and exclude Obligor and all other Persons from the Collateral, operate and manage the Collateral and rent and lease the same, perform such reasonable acts of repair or protection as may be reasonably necessary or proper to conserve the value of the Collateral, collect any and all income, rents, issues, profits and proceeds from the Collateral, the same being hereby assigned and transferred to Bank, and from time to time apply or accumulate such income, rents, issues, profits and proceeds in such order and manner as Bank, in its sole discretion, shall instruct, it being understood that the collection or receipt of income, rents, issues, profits or proceeds from the Collateral after declaration of default and election to cause the Collateral to be sold under and pursuant to the terms of this Agreement shall not affect or impair any event of default or declaration of default under any agreement or instrument between Obligor and Bank or election to cause any Collateral to be sold or any sale proceedings predicated on the same, but such proceedings may be conducted and sale effected notwithstanding the collection or receipt of any such income, rents, issues, profits and proceeds; (iv) deliver a notice of exclusive control under any Control Agreement specifying that Bank has the exclusive right to give Entitlement Orders with respect to the Investment Property covered by such Control Agreement or to otherwise direct the disposition of any Deposit Account subject to a Control Agreement or any Electronic Chattel Paper or Letter-of-Credit Rights controlled by Bank; (v) take control of any and all of the Accounts, contractual or other rights that are included in the Collateral and Proceeds arising from any such Accounts or contractual or other rights, enforce collection, either in the name of Bank or in the name of Obligor, of any or all of the Accounts, contractual and other rights that are included in the Collateral and Proceeds by suit or otherwise, receive, receipt for, surrender, release or exchange all or any part of such Collateral or compromise, settle, extend or renew (whether or not longer than the original period) any indebtedness under such Collateral; (vi) sell all or any part of the Collateral at public or private sale at such place or places and at such time or times and in such manner and upon such terms, whether for cash or credit, as Bank in its sole discretion may determine; (vii) endorse in the name of Obligor any Instrument, however received by Bank, representing Collateral or Proceeds of any of the Collateral; (viii) require Obligor to turn over, or instruct the financial institutions holding the same to turn over, all monies and investments in any of Obligor's accounts to Bank; and (viii) exercise all the rights and remedies granted to a secured party under the UCC, and all other rights and remedies given to Bank under this Agreement or any other instrument or agreement or otherwise available at law or in equity. Bank shall be under no obligation to make any of the payments or do any of the acts referred to in this Section 6 or elsewhere in this Agreement and any of the actions referred to in this Section 6 or elsewhere in this Agreement may be taken regardless of whether any notice of default or election to sell has been given under this Agreement (provided, however, that all notices required by law, the giving of which may not be waived, shall be given in accordance with such law) without regard to the adequacy of the security for the Obligations.

(d) Obligor hereby waives notice of the sale of any Collateral by Bank pursuant to any provision of this Agreement or any applicable provisions of the UCC, or other applicable law. In the event that notice of the sale of Collateral cannot be waived or Bank gives notice of such sale to Obligor, Bank will give Obligor notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition thereof is to be made by sending notice, as provided below, at least ten days before the time of the sale or disposition, which provisions for notice Obligor and Bank agree are reasonable. No such

notice need be given by Bank with respect to Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market.

(e) Bank may apply the net proceeds of any sale, lease or other disposition of Collateral, after deducting all costs and expenses of every kind incurred thereon or incidental to the retaking, holding, preparing for sale, selling, leasing, or the like of the Collateral or in any way relating to the rights of Bank thereunder, including attorneys' fees and expenses hereinafter provided for, to the payment, in whole or in part, in such order as Bank may elect, of one or more of the Obligations, whether due or not due, absolute or contingent, making proper rebate for interest or discount on items not then due, and only after so applying such net proceeds and after the payment by Bank of any other amounts required by any existing or future provision of law (including Section 9-615(a)(3) of the Uniform Commercial Code of any jurisdiction in which any of the Collateral may at the time be located) need Bank account for the surplus, if any. Obligor shall remain liable to Bank for the payment of any deficiency, with interest at the default rate provided for in the instruments, if any, evidencing the Obligations, but if there is no such instrument with respect to any Obligation or no default rate is specified therein, at a variable rate equal to 4% above Bank's reference lending rate applicable to domestic commercial loans as established by Bank from time to time, but in no event shall such rate exceed the maximum rate allowed by law. Bank may make loans to its customers above, at or below its reference rate.

(f) Whether or not an Event of Default shall have occurred, Bank may sell all or any part of the Collateral, although the Obligations may be contingent or unmatured, whenever in its discretion Bank considers such sale necessary for its protection. Any such sale may be made without prior demand for payment on account, margin or additional margin or any other demands whatsoever; the making of any such demands shall not establish a course of conduct nor constitute a waiver of the right of Bank to sell the Collateral as herein provided or of the right of Bank to accelerate the maturity of the Obligations as herein provided.

7. Additional Rights of Bank and Duties of Obligor Regarding Obligations and Collateral.

(a) If Obligor, as registered holder of any Collateral, shall become entitled to receive or does receive any stock or other certificate, option, right, dividend or other distribution (whether payable in cash, Investment Property or "in kind"), whether in respect of, as an addition to, in substitution of, or in exchange for, such Collateral, or otherwise, Obligor agrees to accept same as Bank's agent and to hold same in trust for Bank, and to forthwith deliver the same to Bank in the exact form received, with Obligor's endorsement when necessary or requested by Bank, to be held by Bank as Collateral.

(b) Obligor waives protest, demand for payment, notice of default or nonpayment to Obligor or any other party liable for or upon any of said Obligations or Collateral.

(c) Obligor consents that the obligation of any party upon or of any guarantor, surety or indemnitor for, any Obligations or any collateral may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, settled or released and that any collateral or Liens for any Obligations may, from time to time, in whole or in part, be exchanged, sold, released or surrendered, by Bank, all without any notice to, or further assent by, or any reservation of rights against, Obligor, and all without in any way affecting or releasing the liability of Obligor with respect to such Obligations or any security interest hereby created.

(d) Bank shall not be liable for failure to collect or realize upon the Obligations or upon any collateral, or any part thereof, or for any delay in so doing, nor shall Bank be under any obligation to take any action whatsoever with regard thereto. Bank shall use reasonable care in the custody and preservation of the Collateral in its possession but need not take any steps to preserve rights against prior parties or to keep the Collateral identifiable. Bank shall have no obligation to comply with any recording, re-recording, filing, re-filing or other legal requirements necessary to establish or maintain the validity, priority or enforceability of, or Bank's rights in and to the Collateral or any other collateral or any part thereof. Bank may exercise any right of Obligor with respect to any Collateral. Bank shall have no duty to exercise any of the aforesaid rights, privileges or options with respect to any collateral and shall not be responsible for any failure to do so or delay in so doing.

(e) In any statutory or non-statutory proceeding affecting Obligor or any Collateral, Bank or its nominee may, whether or not an Event of Default shall have occurred and regardless of the amount of the

Obligations, file a proof of claim for the full amount of any Collateral and vote such Claim for the full amount thereof (i) for or against any proposal or resolution; (ii) for a trustee or trustees or for a committee of creditors; and/or (iii) for the acceptance or rejection of any proposed arrangement, plan of reorganization, wage earners' plan, composition or extension; and Bank or its nominee may receive any payment or distribution and give acquittance therefor and may exchange or release any Collateral.

(f) Whether or not an Event of Default shall have occurred, Bank may, without notice to or demand upon Obligor, (i) commence, appear in or defend any action or proceeding purporting to affect all or any part of the Collateral or the interests, rights, powers or duties of Bank, whether brought by or against Obligor or Bank; and/or (ii) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of Bank may affect or appear to affect the Collateral or the interests, rights, powers or duties of Bank.

(g) Any and all Investment Property granted to and/or held by Bank as Collateral hereunder, whether or not in a Securities Account of Obligor and whether or not subject to a Control Agreement, may, without notice (and whether or not an Event of Default exists), be registered in the name of Bank or its nominee or be transferred to a Securities Account held in the name of Bank or its nominee, or otherwise be under the Control of Bank with Bank as the Entitlement Holder, without disclosing that Bank is a secured party. Bank may at its option at any time whether not an Event of Default has occurred become the customer with respect to a Deposit Account constituting Collateral hereunder on which Bank is not the depository bank. Obligor hereby irrevocably appoints Bank acting through its officers, employees and agents as its attorney-in-fact, at Obligor's own cost and expense, to act on Obligor's behalf to register in the name of Bank or its nominee any or all such Investment Property and/or to transfer such Investment Property to a Securities Account of and in the name of Bank, with Bank being the Entitlement Holder of such Securities Account and having Control thereof, and/or to enter into agreements with the issuers of such Investment Property pursuant to which the issuers will agree to comply with the instructions of Bank without consent by Obligor, and to take such other action as Bank may deem appropriate to fully perfect and protect its security interest in the Investment Property and related Securities Account, if any. **Obligor may at any time make a request to Bank to permit a substitution of Investment Property constituting Collateral, whether or not subject to a Control Agreement or held in a Securities Account, either by delivery or transfer to Bank of new Investment Property or by a request made to Bank to sell certain specified Investment Property constituting Collateral, whether held in a Securities Account subject to a Control Agreement or held in the name of Bank or its nominees in a Securities Account or otherwise, and to purchase other specified Investment Property, but Bank shall be under no obligation whatsoever to honor such request or to permit or effect, through a Securities Intermediary, or otherwise, such a substitution and Bank may in its sole and absolute discretion refuse to do so.** Bank or such nominee (after an Event of Default and regardless of the amount of the Obligations) may, without notice, exercise all voting and corporate rights at any meeting of any corporation issuing such Investment Property, and (whether or not an Event of Default exists and regardless of the amount of the Obligations) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to such Investment Property as if the absolute owner thereof, including, without limitation, the right to exchange, at its discretion, any and all of such Investment Property for other Investment Property or any other property upon the merger, consolidation, reorganization, recapitalization or other readjustment of any corporation issuing the same or upon the exercise by the issuing corporation or Bank of any right, privilege or option pertaining to such Investment Property, and in connection therewith, to deposit and deliver any and all of such Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it. **BANK SHALL HAVE NO DUTY OR OBLIGATION TO EXERCISE ANY OF THE AFORESAID RIGHTS, PRIVILEGES OR OPTIONS OR TO AGREE TO ANY SUCH REQUEST AND SHALL NOT BE RESPONSIBLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN SO DOING, OR FOR ANY LOSS IN THE VALUE OF THE COLLATERAL RESULTING FROM BANK'S ACTION OR INACTION.**

8. Sale of Collateral Consisting of Securities. Obligor recognizes that Bank may be unable to effect a public sale of any securities which may constitute a portion of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933 and applicable state securities laws and instead may resort to one or more private sales of such Collateral to a restricted group of purchasers who would be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Obligor recognizes and agrees that, because of this restriction, sales of securities may result in prices and other terms less favorable to the seller than if the disposition were made pursuant to a public sale and,

notwithstanding such circumstances, agrees that any such private or limited sale or sales shall be deemed to have been made in a commercially reasonable manner. Bank shall be under no obligation to delay a sale of any of the securities constituting part of the Collateral for the period of time necessary to permit the issuer of such securities to register them for public sale under the Securities Act of 1933 or under applicable state securities laws.

9. Collection Rights of Bank. Obligor agrees that at any time, if an Event of Default shall have occurred, Bank shall have the right to notify any account debtor (with respect to any Collateral consisting of Accounts, General Intangibles or Chattel Paper), or the person liable on any Instrument or other right or claim of Obligor to any payment which is Collateral or the issuer of any securities constituting Investment Property (with respect to any Collateral consisting of Investment Property), or the custodian of any Collateral consisting of Deposit Accounts or Electronic Chattel Paper, or the issuer of any letters of credit subject to the control of Bank, to make payment directly to Bank, whether or not an Event of Default shall have occurred and whether or not Obligor was theretofore making collections on such Collateral, and also to take control of any Proceeds Bank is entitled to under Section 9-315 of the UCC. If any Collateral consists of rights or claims of Obligor to any payment, then at Bank's request, Obligor shall promptly notify (in manner, form and substance satisfactory to Bank) all Persons obligated to Obligor under any such rights or claims of Obligor to any payment that Bank possesses a security interest in such rights or claims of Obligor to any payment and that all payments in respect of such rights or claims of Obligor to any payment are to be made directly to Bank. Obligor shall not settle, compromise or adjust any disputed amount, or allow any credit, rebate or discount with respect to any right or claim of Obligor to any payment which constitutes Collateral. After Bank shall have given any notice of the type specified in the first sentence of this Section 9, any and all amounts received by Obligor from the account debtor or other obligor or issuer so notified shall be promptly remitted to Bank, and until so remitted shall be segregated by Obligor and held in trust for Bank.

10. Additional Security. If Bank shall at any time hold security for any Obligations in addition to the Collateral, Bank may enforce the terms of this Agreement or otherwise realize upon the Collateral, at its option, either before or concurrently with the exercise of remedies as to such other security or, after a sale is made of such other security, it may apply the proceeds upon the Obligations without affecting the status of or waiving any right to exhaust all or any other security, including the Collateral, and without waiving any breach or default or any right or power whether exercised under this Agreement, contained in this Agreement, or provided for in respect of any such other security.

11. Preservation and Protection of Security Interest; Power of Attorney. Obligor will faithfully preserve and protect the Lien in the Collateral created by this Agreement and will, at its own cost and expense, cause such Lien to be perfected and continue to be perfected and to be and remain prior to all other Liens, so long as all or any part of the Obligations are outstanding and unpaid, and for such purpose Obligor will from time to time at the request of Bank (i) make notations of the security interest in certificates of title of Collateral, a security interest in which is perfected by such notation, and deliver the same to Bank, (ii) make notations of Bank's security interest on all tangible Chattel Paper constituting Collateral hereunder; (iii) deliver possession of Collateral (concurrent with the acquisition of such Collateral) to Bank, a security interest in which is perfected by the taking of possession or at Bank's option, cause each Person in possession of Collateral to acknowledge that it is holding the Collateral for the benefit of Bank, and (iv) file or record, or cause to be filed or recorded, such instruments, documents and notices, including financing statements and amendments thereof (in jurisdictions in which Bank is unable to file financing statements or amendments without signature or authentication by Obligor based on the authorization to do so contained herein), as Bank may reasonably deem necessary or advisable from time to time in order to perfect and continue to perfect such Liens and to maintain their priority over all other Liens. Obligor will do all such other acts and things and will execute and deliver all such other instruments and documents, including further security agreements, pledges, endorsements, stock powers, assignments, and notices as Bank may reasonably deem necessary or advisable from time to time in order to perfect and preserve the priority of the Liens in the Collateral as contemplated by this Agreement. Bank, acting through its officers, employees and authorized agents, is hereby irrevocably appointed the attorney-in-fact of Obligor to do, at Obligor's expense, all acts and things which Bank may reasonably deem necessary or advisable to preserve, perfect, continue to perfect and/or maintain the priority of such Liens in the Collateral, including the signing of financing, continuation or other similar statements and notices on behalf of Obligor, and which Obligor is required to do by the terms of this Agreement, the registration of any and all Investment Property held by Bank as Collateral hereunder in the name of Bank or its nominee or the transfer of same to a Securities Account held in the name of Bank or its nominee. Obligor hereby authorizes Bank to file financing statements with respect to the Collateral and any proceeds of the Collateral and hereby ratifies and

consents to the filing of any such financing statements by Bank prior to the date this agreement is executed. Obligor shall pay all filing fees for financing statements with respect to the Collateral.

12. Risk of Loss; Insurance. Risk of loss of, damage to or destruction of the Collateral is and shall remain upon Obligor. If Obligor fails to obtain and keep in force insurance covering the Collateral as required by Section 4 of this Agreement, or fails to pay the premiums on such insurance when due, Bank may, but is not obligated to, do so for the account of Obligor and the cost of so doing shall thereupon become an Obligation. Such amounts shall be payable by Obligor upon demand by Bank and following demand shall bear interest at a variable rate equal to 4% above Bank's reference lending rate applicable to domestic commercial loans as established by Bank from time to time, but in no event shall such rate exceed the maximum rate allowed by law. Bank, acting through its officers, employees and authorized agents, is hereby irrevocably appointed the attorney-in-fact of Obligor to endorse any draft or check that may be payable to Obligor in order to collect the proceeds of such insurance or any return or unearned premiums.

13. Change in Law. In the event of the passage, after the date of this Agreement, of any law which has the effect of changing in any way the laws now in force for the taxation of security documents such as this Agreement or debts secured by such security documents or the manner of the collection of any such taxes so as in any case to affect this Agreement or to impose payment of the whole or any portion of any taxes, assessments or other similar charges against the Collateral upon Bank, the Obligations shall immediately become due and payable at the option of Bank and upon 30 days' notice to Obligor.

14. Expenses. Obligor hereby agrees to pay any and all expenses incurred by Bank in enforcing any rights under this Agreement or in defending any of its rights to any amounts received hereunder. Without limiting the foregoing, Obligor agrees that whenever any attorney is used by Bank to obtain payment hereunder, to advise it as to its rights, to adjudicate the rights of the parties hereunder or for the defense of any of its rights to amounts secured, received or to be received hereunder, Bank shall be entitled to recover all reasonable attorneys' fees and disbursements, court costs and all other expenses attributable thereto.

15. Notices. Each notice or other communication hereunder shall be in writing, shall be sent by messenger, by registered or certified first class mail, return receipt requested, by Federal Express, Express Mail or other recognized overnight delivery service or by facsimile transmitter or tested telex (if such facsimile or telex number is noted as provided herein), and shall be effective if by hand, upon delivery, if by such overnight delivery service, one (1) day after dispatch, and if mailed by first class mail as above-provided, five (5) days after mailing, and shall be sent as follows:

If to Obligor, to the address, facsimile or tested telex number set forth below its signature or such other address, facsimile or tested telex number as it may designate, by written notice to Bank as herein provided or to any other address, facsimile or tested telex number as may appear in the records of Bank as Obligor's address.

If to Bank, to the HSBC BANK USA address that appears on the first page of this Agreement, or such other address as it may designate, by written notice to Obligor as herein provided.

16. Additional Definitions. The following terms have the following meanings unless otherwise specified herein:

"Accessions," "Account," "Chattel Paper," "Commodity Accounts," "Commodity Contracts," "Control," , "Deposit Account", "Document," "Electronic Chattel Paper," "Entitlement Holder," "Entitlement Order," "Equipment," "Financial Assets," "Fixtures," "General Intangibles," "Goods," "Health-Care-Insurance Receivables," "Instrument," "Inventory," "Investment Property," "Payment Intangibles," "Proceeds," "Promissory Notes," "Securities," "Securities Account," "Securities Entitlements," "Securities Intermediary" and "Supporting Obligations" have the meanings assigned to those terms by the UCC.

"Agreement" means this Continuing General Security Agreement.

"Bank" means HSBC BANK USA, a New York State chartered bank, and its successors and assigns, and any Person acting as agent or nominee for HSBC BANK USA and any corporation the stock of which is owned or controlled directly or indirectly by, or is under common control with, HSBC BANK USA and/or HSBC Holdings plc.

"Claims" means each "claim" as that term is defined under Section 101(5) of the United States Bankruptcy Code, and any amendments thereto (Title 11, United States Code).

"Event of Default" means any of the events described in Section 5 of this Agreement.

"Imported Inventory" means all Inventory of Obligor of every description imported from outside of the United States, including but not limited to Inventory consisting of parts or components produced in whole or in part in the United States and sent outside of the United States for assembly, completion or packaging.

"Lien" means any lien, security interest, pledge, hypothecation, encumbrance or other claim in or with respect to any property.

"Obligations" means any and all indebtedness, obligations and liabilities of Obligor to Bank, and all Claims of Bank against Obligor, now existing or hereafter arising, direct or indirect (including participations or any interest of Bank in indebtedness of Obligor to others), acquired outright, conditionally, or as collateral security from another, absolute or contingent, joint or several, secured or unsecured, matured or unmatured, monetary or non-monetary, arising out of contract or tort, liquidated or unliquidated, arising by operation of law or otherwise, and all extensions, renewals, refundings, replacements and modifications of any of the foregoing.

"Person" means any natural person, corporation, limited liability company, partnership, trust, government or other association or legal entity.

"Responsible Parties" includes all Obligors and all makers, endorsors, acceptors, sureties and guarantors of, and all other parties to, the Obligations or the Collateral.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York.

17. Miscellaneous. This Agreement shall remain in full force and effect and shall be binding upon Obligor, its successors and assigns, in accordance with its terms, notwithstanding any increase, decrease or change in the partners of Obligor, if it should be a partnership, or the merger, consolidation, or reorganization of Obligor, if it be a corporation or a limited liability company, or any other change concerning the form, structure or substance of any such entity. If there is more than one Person named as an Obligor in this Agreement, this Agreement shall be binding upon each of Obligors who execute and deliver this Agreement to Bank even if this Agreement is not executed by any other Person or Persons also named as an Obligor herein. Bank may assign all or a portion of its rights under this Agreement and may deliver the Collateral, or any part thereof, to any assignee and such assignee shall thereupon become vested with all the powers and rights given to Bank in respect thereof; and Bank shall thereafter be forever relieved and discharged from any liability or responsibility in the matter but, with respect to any Collateral not so delivered or assigned, Bank shall retain all powers and rights given to it hereby. The execution and delivery hereafter to Bank by Obligor of a new security agreement shall not terminate, supersede or cancel this Agreement, unless expressly provided therein, and this Agreement shall not terminate, supersede or cancel any security agreement previously delivered to Bank by Obligor, and all rights and remedies of Bank hereunder or under any security agreement hereafter or heretofore executed and delivered to Bank by Obligor shall be cumulative and may be exercised singly or concurrently. **This Agreement may not be changed or terminated orally, but only by a writing executed by Obligor and a duly authorized officer of Bank; provided, that Bank is authorized to fill in any blank spaces and to otherwise complete this Agreement and correct any patent errors herein.** Unless Bank, in its discretion, otherwise agrees, the security interests granted in this Agreement shall not terminate until all of the Obligations have been indefeasibly paid in full and all commitments of Bank to extend credit which, once extended, would give rise to Obligations have expired or been terminated. No delay on the part of Bank in exercising any of its options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. No modification or waiver of this Agreement or any provision hereof or of any other agreement or instrument made or issued in connection herewith or contemplated hereby, nor consent to any departure by Obligor therefrom, shall in any event be effective, irrespective of any course of dealing between the parties, unless the same shall be in a

writing executed by a duly authorized officer of Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Obligor in any case shall thereby entitle Obligor to any other or further notice or demand in the same, similar or other circumstances. The remedies herein provided are cumulative and not exclusive of any other remedies provided at equity or by law and all such remedies may be exercised singly or concurrently. If any one or more of the provisions contained in this Agreement or any document executed in connection herewith shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not (to the full extent permitted by law) in any way be affected or impaired. The descriptive headings used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any provision hereof. The word "including" shall be deemed to be followed by the words "without limitation." Obligor waives any and all notice of the acceptance of this Agreement by Bank, or of the creation, accrual or maturity (whether by declaration or otherwise) of any and all Obligations, or of any renewals or extensions thereof from time to time, or of Bank's reliance on this Agreement.

18. Governing Law; Consent to Jurisdiction; Service of Process. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed wholly within that state. Obligor hereby consents to the jurisdiction of the courts of the State of New York and the courts of the United States of America for the Southern District of New York and consents that any action or proceeding hereunder may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and authorizes the service of process on Obligor by registered or certified mail sent to any address authorized in Section 15 as an address for the sending of notices.

19. RIGHT OF BANK TO ARBITRATE DISPUTES.

(a) **OBLIGOR AGREES THAT ANY ACTION, DISPUTE, PROCEEDING, CLAIM OR CONTROVERSY BETWEEN OR AMONG THE PARTIES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE ("DISPUTE" OR "DISPUTES") SHALL, AT BANK'S ELECTION, WHICH ELECTION MAY BE MADE AT ANY TIME PRIOR TO THE COMMENCEMENT OF A JUDICIAL PROCEEDING BY BANK, OR IN THE EVENT OF A JUDICIAL PROCEEDING INSTITUTED BY OBLIGOR, AT ANY TIME PRIOR TO THE LAST DAY TO ANSWER AND/OR RESPOND TO A SUMMONS AND/OR COMPLAINT MADE BY OBLIGOR, BE RESOLVED BY ARBITRATION IN NEW YORK, NEW YORK IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 19 AND SHALL, AT THE ELECTION OF BANK, INCLUDE ALL DISPUTES ARISING OUT OF OR IN CONNECTION WITH (I) THIS AGREEMENT OR ANY RELATED AGREEMENTS OR INSTRUMENTS, (II) ALL PAST, PRESENT AND FUTURE AGREEMENTS INVOLVING THE PARTIES, (III) ANY TRANSACTION CONTEMPLATED HEREBY AND ALL PAST, PRESENT AND FUTURE TRANSACTIONS INVOLVING THE PARTIES AND (IV) ANY ASPECT OF THE PAST, PRESENT OR FUTURE RELATIONSHIP OF THE PARTIES.** Bank may elect to require arbitration of any Dispute with Obligor without thereby being required to arbitrate all Disputes between Bank and Obligor. Any such Dispute shall be resolved by binding arbitration in accordance with Article 75 of the New York Civil Practice Law and Rules and the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). In the event of any inconsistency between such Rules and these arbitration provisions, these provisions shall supersede such Rules. All statutes of limitations which would otherwise be applicable shall apply to any arbitration proceeding under this subsection 19(a). In any arbitration proceeding subject to these provisions, the arbitration panel (the "arbitrator") is specifically empowered to decide (by documents only, or with a hearing, at the arbitrator's sole discretion) pre-hearing motions which are substantially similar to pre-hearing motions to dismiss and motions for summary adjudication. In any such arbitration proceeding, the arbitrator shall not have the power or authority to award punitive damages to any party. Judgment upon the award rendered may be entered in any court having jurisdiction. Whenever an arbitration is required, the parties shall select an arbitrator in the manner provided in subsection 19(d).

(b) No provision of, nor the exercise of any rights under, subsection 19(a) shall limit the right of any party (i) to foreclose against any real or personal property collateral through judicial foreclosure, by the exercise of a power of sale under a deed of trust, mortgage or other security agreement or instrument, pursuant to applicable provisions of the UCC, or otherwise pursuant to applicable law, (ii) to exercise self help remedies

including but not limited to setoff and repossession, or (iii) to request and obtain from a court having jurisdiction before, during or after the pendency of any arbitration, provisional or ancillary remedies and relief including but not limited to injunctive or mandatory relief or the appointment of a receiver. The institution and maintenance of an action or judicial proceeding for, or pursuit of, provisional or ancillary remedies or exercise of self help remedies shall not constitute a waiver of the right of Bank, even if Bank is the plaintiff, to submit the Dispute to arbitration if Bank would otherwise have such right.

(c) Bank may require arbitration of any Dispute(s) concerning the lawfulness, unconscionableness, propriety, or reasonableness of any exercise by Bank of its right to take or dispose of any Collateral or its exercise of any other right in connection with Collateral including, without limitation, judicial foreclosure, exercising a power of sale under a deed of trust or mortgage, obtaining or executing a writ of attachment, taking or disposing of property with or without judicial process pursuant to Article 9 of the UCC or otherwise as permitted by applicable law, notwithstanding any such exercise by Bank.

(d) Whenever an arbitration is required under subsection 19(a), the arbitrator shall be selected, except as otherwise herein provided, in accordance with the Commercial Arbitration Rules of the AAA. A single arbitrator shall decide any claim of $100,000 or less and he or she shall be an attorney with at least five years' experience. Where the claim of any party exceeds $100,000, the Dispute shall be decided by a majority vote of three arbitrators, at least two of whom shall be attorneys (at least one of whom shall have not less than five years' experience representing commercial banks).

(e) In the event of any Dispute governed by this Section 19, each of the parties shall, subject to the award of the arbitrator, pay an equal share of the arbitrator's fees. The arbitrator shall have the power to award recovery of all costs and fees (including attorneys' fees, administrative fees, arbitrator's fees, and court costs) to the prevailing party.

20. WAIVER OF TRIAL BY JURY. **EACH OF BANK AND OBLIGOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, COUNTERCLAIM OR CROSS-CLAIM BROUGHT BY OR AGAINST IT ON ANY MATTERS WHATSOEVER, IN CONTRACT OR IN TORT, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR THE OBLIGATIONS.**

21. WAIVER OF CERTAIN OTHER RIGHTS. **OBLIGOR HEREBY WAIVES THE RIGHT TO INTERPOSE ANY DEFENSE, SET-OFF, COUNTERCLAIM (EXCEPT COMPULSORY COUNTERCLAIMS) OR CROSS-CLAIM OF ANY NATURE OR DESCRIPTION, ANY OBJECTION BASED ON FORUM NON CONVENIENS OR VENUE, AND ANY CLAIM FOR CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES.**

22. GOVERNING PROVISIONS. To the extent that there is a conflict between that certain amended and restated loan and security agreement by and between NAPCO Security Systems, Inc. ("NAPCO") and Bank dated as of even date hereof, as may be amended, extended or otherwise modified and/or restated from time to time (the "Loan Agreement") and this Agreement, the terms of the Loan Agreement shall govern.

23. This Agreement replaces and supplants in its entirety (i) the general security agreement made by Obligor to Bank dated July 27, 2000, and (ii) the amended and restated continuing general security agreement dated October 21, 2004, by Obligor in favor of Bank, as reaffirmed from time to time.

IN WITNESS WHEREOF, Obligor(s) has/have executed this Amended and Restated Continuing General Security Agreement.

Address of
Chief Executive Office:

Continental Instruments LLC, f/k/a
Continental Instruments Systems, LLC

333 Bayview Avenue
Amityville, New York 11701

By: _____
Kevin Buchel
Operating Manager

STATE OF NEW YORK)
) **SS:**
COUNTY OF NASSAU)

On this 7th day of September, 2007, before me, the undersigned, a Notary Public in and for said State, personally came **Kevin Buchel,** personally known to me or proved to me on the basis of satisfactory evidence to be the person, whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity and that by his signature on the instrument, the person or entity upon behalf of which the person acted executed the instrument.

_____
NOTARY PUBLIC

YVONNE E. GOODRICH
Notary Public, State of New York
No. 01GO5077719
Qualified in Suffolk County
Commission Expires April 10, 2010

SCHEDULE A – List of Patents and Trademarks

CONTINENTAL INSTRUMENTS TRADEMARK REGISTRATIONS

Registration No.	Mark
3,018,574	SUPER TWO
3,018,573	TURBO SUPERTERM
2,702,037	CARDACCESS
1,801,972	SMARTIMAGE
1,662,273	PROXPASS
1,684,309	SMARTERM
1,184,540	CARDACCESS 150
0,759,630	CYPHER