



(THE FOLLOWING IS TO BE EXECUTED IF THE APPLICANT IS NOT ALSO THE ACCOUNT PARTY)

**AUTHORIZATION AND AGREEMENT OF ACCOUNT PARTY**

**TO: PREFERRED BANK**

We join in the request to you to issue the above-described Credit, naming us as Account Party and, in consideration thereof, we irrevocably agree that (i) the above Applicant has sole right to give instructions and make agreements with respect to the Application, the Credit and the disposition of documents and we have no right or claim against you or your correspondent in respect of any matter arising in connection with any of the foregoing and (ii) if the Applicant fails to pay when due any amount or amounts owing to you in respect of the Credit or payments or acceptances thereunder, we will forthwith pay the same to you on demand. The Applicant is authorized to assign or transfer to you all or any part of any security held by the Applicant for our obligations arising in connection with this transaction and, upon any such assignment or transfer, you will be vested with all powers and rights in respect of the security transferred or assigned to you.

\_\_\_\_\_  
Name  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
Authorized Signature Title

**APPLICANT TO COMPLETE AND SIGN BELOW**

We hereby certify that transactions in the merchandise covered by this application are not prohibited under the Foreign Assets Control Regulations of the United States Treasury Department and that any importation covered by this application conforms in every respect with all existing United States Government regulations.

Except so far as otherwise expressly stated, this credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International chamber of Commerce Publications No. 500, and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce; or International Standby Practices ISP98, and any subsequent revisions.

In consideration of the establishment of the credit substantially as applied for herein, we agree with you that the terms and conditions set forth in the accompanying Standby Letter of Credit and Security Agreement, which forms an integral part of this Application for Irrevocable Standby Letter of Credit, and amendments thereto are made part of this application for standby letter of credit and are hereby accepted by us.

\_\_\_\_\_  
Applicant  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

For Bank Use Only	CUSTOMER'S CURRENT LIABILITY	
	Office No.	Signatures of Loan Officer Authorizing Credit
		1.
		2.

ACCOUNT

\_\_\_\_\_

The "Authorization and Agreement of Account Party" at the top of this page is to be completed if the applicant is not also the account party.

## STANDBY LETTER OF CREDIT AND SECURITY AGREEMENT

To: **PREFERRED BANK**  
601 South Figueroa Street, Suite 2000, Los Angeles, California 90017

For the purpose of inducing you to issue your Standby Letter of Credit (herein called the "Credit") pursuant to the annexed Application for Irrevocable Standby Letter of Credit, and for other valuable consideration, receipt of which is hereby duly acknowledged, we hereby agree as follows with respect to the Credit.

**1. Reimbursement of Drafts, Demands or Drawings.** We promise to pay to you, or order, upon demand or drawing in lawful money of the United States of America, or if the demand or drawing is in currency other than United States Currency, its United States Currency equivalent as determined by your then selling rate for cable transfers to the place of payment in the currency in which such draft, demand or drawing is drawn on, all monies paid by you under or pursuant to the Credit, together with interest, commission and all customary charges. We also authorize you to charge any of our accounts with you for all money as so paid or for which you become liable under the Credit. We agree to provide you with funds to meet all disbursements or payments of any kind or character including commissions, interest and charges which you have paid or to which you are entitled under or pursuant to the Credit at least one business day before the same is due. Past due amounts of any kind, which also includes payments made by you prior to your receipt of funds due from us pursuant to the Credit, shall bear interest of Preferred Bank Prime rate plus five percent (5%) per annum.

**2. Reserve or Advance.** We agree that you shall have the right, in your sole discretion, to reserve or advance the sums due to you from us under Paragraphs 1, above, against any line of credit for which we may be eligible pursuant to any other agreement or commitment between you and us.

**3. Modification of Credits.** We agree that in the event of any extension of the maturity or time for presentment of drafts, or documents or any other modification of the terms of the Credit, at the request of any of us, with or without notification to the others, or in the event of any increase in the amount of the Credit at our request, this agreement shall be binding upon us with regard to such Credit so increased or otherwise modified and to drafts, documents and goods, wares, merchandise or other property covered thereby, and to any action taken by you or any of your correspondents in accordance with such extension, increase or other modification.

**4. Automatic Renewal.** If the Credit provides for automatic renewal without amendment, we shall notify you of our decision not to renew such Credit in writing within a reasonable time prior to the last day as specified in the Credit by which you must give notice of your intent not to renew the Credit. Any decision whether to renew a Credit will be in your sole and absolute discretion, and notwithstanding any notice from us to you requesting the renewal of the Credit, you may elect not to renew the Credit. If you notify the Beneficiary or Transferee, if any, that you have elected not to renew the Credit, the Credit may be drawn on, if permitted under the terms of the Credit. In such a case, we will reimburse you for all amounts paid or payable by you in respect of the Credit.

**5. Our Risks under Credit.** The users of the Credit shall be deemed our agents and we assume all risk for their acts or omissions. Neither you nor your correspondents shall assume any liability to anyone for failure to pay or to accept drafts, demands or drawings under, or purporting to be under the Credit if such failure is due to any restrictions in force at the time and place of presentment, and we agree to indemnify you and hold you harmless from any consequences that may arise therefrom. Neither you nor your correspondents shall be responsible for: (a) verifying the existence of any act, condition or statement made by any party in relation to its drawing or presentment under the Credit or for verifying or passing judgment on the reasonableness of any statement made by any party in relation to its drawing or presentment under the Credit; (b) the validity, sufficiency or genuineness of documents, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) failure to give any notice; or (d) any breach of contract between the beneficiary of the Credit, and ourselves or any of us. Furthermore, neither you nor your correspondents shall be responsible for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph or otherwise; nor shall you be responsible for any error, neglect, or default of any of your correspondents; and none of the above shall affect or impair any of your rights or powers hereunder. In furtherance and extension, and not in limitation, of the foregoing, we agree that, absent gross negligence or willful misconduct on your part, any action taken or not taken by you or by any correspondent of yours, under or in connection with the Credit or the related drafts, documents, goods, wares, merchandise or other property shall be binding on us and shall not make you or your correspondents liable to us.

**6. Compliance with Laws.** We agree to procure promptly any licenses or certificates that may be required in the performance of the contract, agreement or understanding underlying the Credit and to provide you, as you may at anytime require or request, with copies of documents, agreements or other information and evidence.

**7. Security Interests.** As security for the prompt payment or performance of all of our present or future obligations or liabilities of any kind to you, whether incurred by us as maker, endorser, drawer, acceptor, guarantor, accommodation party or otherwise, due or to become due, secured or unsecured, absolute or contingent, joint or several, and howsoever or whensoever acquired by us (all of which are herein collectively referred to as the "Obligations"), we hereby grant to you a continuing security interest and a lien in and upon (a) any and all goods, wares, merchandise, inventory or other property covered by the Credit or in any way related thereto including, without limitation, being listed on invoices presented in connection with a draft or drawing thereunder, or the drafts drawn or accepted thereunder, wherever located, including, without limitation, any and all improvements, accessions or additions thereto or any and all substitutions therefore; (b) any and all documents or instruments accompanying or related to drafts drawn under the Credit, including, without limitation, shipping documents, bills of lading, warehouse receipts, policies or certificates of insurance; (c) any and all of the proceeds of each and all of the foregoing including, without limitation, goods, wares, merchandise, inventory, accounts, notes, drafts, instruments, checks and deposit accounts, all of which shall have been received by us in return for a sale or exchange of any items over which we have granted you a security interest hereunder and constitute proceeds of such items; and (d) any other property of ours, including, without limitation, deposit accounts, securities, funds or choses in action, which now or anytime hereafter comes into your possession or control, or into the possession or control of any third party acting on your behalf, whether for the express purpose of being used by you as collateral security or for safekeeping or for any other or different purpose, including such property as may be in transit by mail or carrier for any purpose, or covered or affected by any documents in your possession or control, or in the possession or control of any third party acting in your behalf (any and all of the foregoing items in which we granted you a security interest shall be hereinafter called the "Collateral"). We also agree to deliver to you on demand additional Collateral of a kind and of a market value satisfactory to you, so that you will, at all times have a margin of security for the payment of all the Obligations which shall be satisfactory to you. To the extent that any of the provisions set forth in this paragraph 7 conflict with or cover the same subject as any grant, covenant, representation, or warrant set forth in any other agreement which we have entered into with you, you shall have the option to elect whether the provision contained in this paragraph 7 or the provision contained in such other agreement shall govern.

**8. Representations and Warranties.** We warrant and represent that you have and shall have at all times a valid and effective first lien on and security interest in the Collateral and that our title to the Collateral is unencumbered by any other liens. We also warrant and represent that all sales of any goods, wares, merchandise, inventory or other property which are part of the Collateral shall only be made by us in the ordinary course of business.

**9. Events of Default.** The occurrence of any of the following events shall be an "Event of Default" under this agreement: (a) our failure to promptly furnish you satisfactory additional Collateral upon demand; (b) our default in the performance or observance of any provisions hereof or of any present or future instrument, document or agreement delivered pursuant hereto or in connection herewith or in any other instrument, document or agreement between you and any of us, including, without limitation, any instrument, document or agreement that you have acquired by assignment; (c) our default in the payment of any Obligation; (d) the insolvency (including the failure to pay debts as they mature), general assignment, receivership, bankruptcy (whether voluntary or involuntary), cessation of business, dissolution, incompetency or death of any of us or of any endorser or guarantor of any of the Obligations on this agreement; (e) the financial condition or credit standing of any of us or any such endorser or guarantor, in your sole opinion or that of any of your officers, is materially impaired; (f) our admission in writing that we cannot pay our debts as they come due; (g) our default under any other agreement involving the borrowing of money or the extension of credit under which we may be obligated as borrower, installment purchaser or guarantor, if such default consists of the failure to pay any indebtedness when due or if such default permits or causes the acceleration of any indebtedness or the termination of any commitment to lend or to extend credit; (h) any court order, injunction or other legal process is issued restraining or seeking to restrain drawing or payment under the Credit; or (i) any person other than Beneficiary attempts, or in any way claims any right, to draw under the Credit, including, without limitation, any debtor in possession, custodian, receiver, trustee, assignee for the benefit of creditors, personal representative or other successor. Upon the occurrence of an Event of Default, all Obligations shall, at your option, be due and payable forthwith, without demand or notice, anything in any Obligations expressed to the contrary notwithstanding.

**10 Remedies.** Upon the occurrence of an Event of Default, you shall have, in addition to all other rights and remedies allowed by law, the rights and remedies of a secured party under the California Uniform Commercial Code as in effect at any time. Without limiting the generality of the foregoing, you may, without demand for performance or other notice or demand whatsoever to us (except as expressly set forth herein), all of which are hereby expressly waived, sell the whole or from time to time any part of the Collateral, or any interest which we may have therein, and after deducting from the proceeds of sale or other disposition of the Collateral, or any part thereof, all expenses (including but not limited to reasonable attorney's fees for legal services of every kind, whether or not suit is filed, and other expenses as set forth below) shall apply the residue of such proceeds toward the payment of any of the Obligations, in such order as you shall elect, we remaining liable for any deficiency remaining unpaid after such application. We hereby agree that a notice sent at least ten days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral, or any part thereof, is to be made, shall be reasonable notice of such sale or other disposition. We also agree to assemble the Collateral, or any part thereof, at such place or places as you designate by written notice and, upon our failure to do so, you or your agents or officers may enter any of our premises for purposes of assembling the Collateral or any part thereof. We agree that the Collateral secures, and further agree to pay on demand, all expenses (including but not limited to reasonable attorney's fees for legal services of every kind, whether or not suit is filed, and cost of any insurance and payment of taxes or other charges) of, or incidental to, the custody, care, sale or collection of, or realization upon, any of the Collateral or in any way relating to the enforcement or protection of your rights hereunder.

**11. Segregation of Collateral.** We will, at all times, hold the Collateral or such part thereof as may be in our possession or control, or in the possession or control of any third party acting in our behalf, separate and apart from other property of ours and will clearly show such separation in all our books, ledgers and other records. We will at all times also hold the Collateral in such a way as to be readily capable of identification.

**12. Insurance of Collateral.** We will at all times keep the Collateral or such part thereof as may be in our possession or control, or in the possession or control of any third party acting on our behalf, fully insured at our expense, and to your satisfaction against loss by fire, theft and any other risk to which the Collateral may be subject, the policies of insurance being payable to you and us as our respective interests may appear. We will, on demand, deposit such insurance policies, or other satisfactory evidence of such insurance, with you, and any insurance money which may be received by us for any loss will be subject to the security interests specified herein, will be held in trust by us for your benefit, and will forthwith be paid over to you. We will on demand obtain or deliver to you from the issuer of each such insurance policy a waiver of warranties with respect to your rights as loss payee. We hereby irrevocably appoint you, or any of your officers, agents and employees, as our attorney-in-fact for the purpose of making, settling and adjusting claims under such insurance policies, endorsing our name on any check, draft, instrument or other item of payment for the proceeds of such insurance policies and for making all determinations and decisions with respect to such insurance policies.

**13. Further Assurances.** At any time and from time to time, upon demand we will: (a) keep and stamp or otherwise mark any and all chattel paper, instruments and documents and our individual books and records relating to inventory, accounts and contract rights in such manner as you may require; (b) permit your representatives or officers to inspect our inventory and to examine, inspect or make extracts from the books, ledgers, reports, correspondence and other records of our relating to inventory, accounts, contract rights, chattel paper, instruments and documents; (c) deliver to you on demand accurate records and copies of all accounts with respect to the Collateral and any shipping or delivery receipts, purchase orders, contracts or other documents relating to the same; and (d) furnish to you financial statements in such form as you shall specify. We covenant that there will be no offsets or credits against any accounts or contract rights constituting Collateral.

**14. Waiver.** You shall not be deemed to have waived any of your rights hereunder unless you or your authorized agent shall have signed such waiver in writing. No failure on your part to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by you of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power.

**15. Limitation of Your Liability.** Notwithstanding any other provision of this Agreement, neither you nor any of your agents or correspondents will have any liability to us for any action, neglect or omission, if done in good faith, under or in connection with the Credit or any document pertaining thereto, including but not limited to the issuance of any amendment to the Credit, the failure to issue or amend the Credit or the honoring or dishonoring of any demand under the Credit. Notwithstanding any other provision in the Credit or any document pertaining thereto, in no event shall you or your officers or directors be liable or responsible regardless of whether any claim is based on contract or tort, or any other legal theory, for: (a) any special, consequential, indirect or incidental damages, including but not limited to lost profits arising out of or in connection with the issuance of the Credit or any action taken or not taken by you in connection with the Credit, any amendment thereto, or any document pertaining thereto; (b) the honoring of any draft pursuant to any order or directive of any court or government or regulatory body or entity requiring such honor despite any temporary restraining order, restraining order, preliminary injunction, permanent injunction or any type of pretrial or permanent injunctive relief or any similar relief, however, named, restraining, prohibiting or enjoining such honor; (c) the dishonoring of any draft in accordance with any legal or other restriction in force at the time and in the place of presentment, payment or acceptance; (d) the use which may be made of the Credit; (e) any acts or omissions of any Beneficiary or any other user of the Credit; or (f) any errors, inaccuracies, omissions, interruptions, or delays in transmission or delivery of any messages, directions or correspondence by mail, cable, telegraph, wireless or otherwise, whether or not they are encrypted.

**16. Our Additional Agreements.** We authorize you to charge any of our accounts with you for all amounts then due and payable to you under this Application and Agreement. We additionally agree that: (a) Unless otherwise specifically provided in any Loan Document, you shall not be obligated at any time to issue any credit for our account; (b) Unless otherwise specifically provided in any Loan Document, if any Credit is issued by you for our account, you shall not be obligated to issue any further credit for our account or to make other extensions of credit to us or in any other manner to extend any financial consideration to us; (c) You have not given us any legal or other advice with regard to the Credit; (d) If you at any

