

## Balboa Capital

(Lessor) 2010 Main St. 11th Floor Irvine, CA 92614

(888) 225-2621 Fax (949) 477-2358 info@balboacapital.com

LEASE AGREEMENT

Lease No. 51343-000

uli	Legal	Name	and	Address	of	Lessee

lobert Moore dba RCM Enterprises 1120 March Road Suite C loseville, CA 95747

Lessee Tax ID

SELWAY MACHINE TOOL CO., INC. 29250 UNION CITY BLVD.

UNION CITY, CA 94587 Equipment Supplier Phone Numb

see Phone Number 116-773-4139

68-0339259

510-487-2525

hantity

Equipment Description

See Exhibit "A" attached hereto and made a part hereof.

Monthly Rent Plus applicable taxes) \$1,441.96

Base Term in Months

Deposit \$2,883.92

Deposit Applied To First & last monthly rentals; Documentation Fees: 1% of Base Lease

End Of Term Fair Market Value Purchase Option (see section 15)

quipment Location (If other than billing address of lessee)

Amount

State

Zip

se read your copy of this Lease Agreement and any schedules attached (Lease) carefully and feel free to ask us any questions you may have about it. We have written the Lease in language because we want you to fully understand its terms. For purposes of this Lease, you and your shall mean the Lessee indicated above, and we, us and our refer to the or, Balboa Capital Corporation, its agents and employees and its successors and assigns

he undersigned agrees that this lease reflects the agreement of the arties, including all terms of the reverse side of this document. GREED:

egal Name

.obert Moore dba RCM Enterprises

Robert Moore, Individual/Owner

rate: 12/20/02

GREED: Balboa Capital Corporation

Vice President 1/28/03

Company Resolution: I MONIQUE MOORE

, the duly elected and qualified Secretary of Robert Moore dba RCM Enterprises (the "Company"), hereby certify that Company's exact legal name, state of incorporation/organization, location of its chief executive office and/or its place of residence, as applicable, have been correctly identified to Lessor, and that at a duly constituted meeting of the Board of Directors/Members/Partners of the Company, the Board resolved that Robert Moore, in his/her capacity as Individual/Owner is authorized for, on behalf of and in the name of this Company, to negotiate, procure and execute such Lease Agreements and any other documents in connection with same, which in his/her opinion are necessary or advisable to effectuate the most favorable interests of the Company, and the execution of such documents by said officer shall be conclusive evidence of his/her approval thereof.

IN WITNESS WHEREOF, I have affixed my name as Secretary of the Company on 12/20/02.

Legal Name

Robert Moore dba RCM Enterprises

EASE GUARANTY For purposes of this Guaranty, Lease shall mean the Lease set forth above and on the reverse side. DEEMY shall mean the person making the guaranty and if married, his or her arital community. YOU/YOUR shall mean the Lessor. I agree that I have an interest in the Lessee, economic or otherwise, and that you would not enter into this Lease without this guaranty. I iconditionally guaranty that Lessee will fully and promptly pay all its Obligations under the Lease and any future leases with you when they are due and will perform all its other obligations under the Lease ren if you modify or renew the Lease, or if any payments made by the lessee are rescinded or returned upon the insolvency, bankruptcy or reorganization of the lessee, as if the payment had not been ade. You do not have to notify me if the Lessee is in default under the Lease. You may obtain any information from credit reporting agencies you deem necessary to enforce this guaranty. If the Lessee afaults, I will immediately pay in accordance with the default provisions of the Lease all Obligations due under the Lease. I agree that I will not be released or discharged if you: (i) fail to perfect a security terest in the Equipment or any other property which secures the Obligations of Lessee or me to you (Collateral); (ii) fail to protect the Collateral; or (iii) abandon or release the Collateral. I agree that you do of have to proceed first against the Lessee or any Collateral. I hereby waive notice of acceptance of this guaranty and of all other notices or demands of any kind which I may be entitled to except for amand for payment. I will reimburse you for all expenses you incur in enforcing your rights against the Lessee or me, including, without limitation, attorneys' fees and costs. I acknowledge that I have read id understood the Lease and this Guaranty. This is an irrevocable, continuing guaranty and binds my heirs, administrators and representatives. I CONSENT TO THE JURISDICTION OF THE COURTS F ORANGE COUNTY, CALIFORNIA AND/OR THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION, AT YOUR SOLE OPTION, FOR THE ETERMINATION OF ALL DISPUTES ARISING UNDER THE LEASE AND THIS GUARANTY. However, I agree that you will have the right to commence any action in any Court having the proper risdiction for that action, and I agree that this guaranty shall be governed by the laws of the State of California. WE EACH WAIVE TRIAL BY JURY.

Robert Moore

ate: 12/20/02

Signature

Name

Date:

ASE: You agree to lease from us and we agree to lease to you, the equipment listed above or on any ule to this Lease (Equipment). You unconditionally promise to pay us the sum of all of the rental and payments indicated above or on any schedule (Rent). You authorize us to insert in this lease any serial is and other identification data about the Equipment, as well as any other omitted factual matters. All and other payments under this Lease or any other agreement with us (collectively Obligation or tions) are payable in U.S. dollars, and may be adjusted upward or downward no more than ten percent

:RM OF LEASE: This Lease shall become effective upon acceptance by us by signing and dating this A prorate portion of the aggregated average of the Rent based on a daily charge of one-thirtieth of the Rent from the date the Equipment has been delivered and is usable by you imencement Date") to the end of the month shall be payable at the Commencement Date. The Term of this Lease shall begin on the first day of the month following the Commencement Date and ate upon the expiration of the number of months stated under Base Term, above. Following the encement Date, Rent and other Obligation payments are due on the first of each month, payable to a location to be designated in writing. YOUR OBLIGATION TO PAY RENT TO US IS UNCONDITIONAL AND NOT SUBJECT TO ANY REDUCTION, SET-OFF, DEFENSE, OR COUNTERCLAIM AND MAY NOT BE CANCELED FOR ANY REASON WHATSOEVER. In the event this Lease is not fully completed for any reason beyond our control, all deposits made by you will be retained by us as compensation for documentation, processing and other expenses. We have the right, but not the obligation, to electronically withdraw funds from your bank account to pay for any unpaid Rent, taxes, fees, charges and assessments. You will provide us with any bank account information we request in order to process electronic payments. You may revoke our authorization to electronically withdraw funds by giving us ten (10) days prior written

3. NO WARRANTIES; NO AGENCY: WE ARE LEASING THE EQUIPMENT TO YOU AS IS, WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OR ORDINARY USE IN CONNECTION WITH THIS LEASE. You understand and agree that we are independent from the vendor, manufacturer and/or supplier (Supplier) of the Equipment and that neither the Supplier nor any other person is



igent, nor are they authorized to waive or change any term or condition of this Lease. You agree that no isentation, guaranty or warranty by the Supplier or other person is binding on us. So long as you are not fault under any of the terms of this Lease, we transfer to you any warranties made to us, as the owner of requipment, by the Supplier. You agree that any breach by the Supplier will not relieve or excuse your lations to us. Regardless of cause, you will not assert any claim whatsoever against us for loss of profits expected to make or any other direct, consequential, special or indirect damages. If you have entered into intenance agreement for the Equipment and the cost of the maintenance is included in the Rent, you owledge that we are not responsible for any service, repairs, or maintenance of the Equipment, and that re not a party to the maintenance agreement. If you have a dispute regarding maintenance or service, you will nevertheless continue to pay all Obligations as they become due.

ICC-ARTICLE-2A: You agree that this Lease is a "Finance Lease" under Article 2A of the Uniform neroial Code as adopted by the State of California (UCC). You acknowledge that: (a) we did not select, fracture or supply the Equipment, but at your request we have purchased the Equipment for lease to you; b) based solely on your own judgment, you have selected the Supplier and the Equipment that you are ig from us. You agree that you have approved any purchase or supply contract between us and the lier before signing this Lease; or, if you have entered into a purchase contract for the Equipment, you is to assign it to us effective when we pay for the Equipment. You may have rights under the supply or asse contract, and you may contact the Supplier for a description of those rights or any warranties. To dent permitted by applicable law, YOU WAIVE ANY AND ALL RIGHTS AND REMEDIES CONFERED IN YOU UNDER UCC §§ 2A-303 AND 2A-508 THROUGH 2A-522, INCLUDING WITHOUT LIMITATION, RIGHT TO: (i) REPUDIATE THE LEASE AND REJECT THE EQUIPMENT; (ii) REVOKE EPTANCE OF THE LEASE; OR (iii) RECOVER DAMAGES FROM US FOR ANY BREACH OF RANTY.

ELIVERY OF EQUIPMENT: You request that we arrange delivery to you at your expense. You agree to at the Equipment when it is delivered and to sign the Equipment Acceptance supplied by us. We may at iscretion confirm by telephone that you have accepted the Equipment and this telephone verification of acceptance of the Equipment shall have the same effect as a signed Equipment Acceptance.

SSIGNMENT: You may not sell, transfer, assign or sublease the Equipment without our prior written val. We may sell, assign or transfer this Lease, or any part of it, and/or ownership of the Equipment at notifying you; and you agree that if we do, the new Lessor will have the same rights and benefits that we have, and will not have to perform any of our obligations. You agree that the rights of the new Lessor of the subject to any claims, defenses or setoffs that you may have against us. However, any such ment, sale, or transfer of this Lease or the Equipment will not relieve us of our obligations to you under sase.

NNERSHIP, RIGHTS, AND QUIET ENJOYMENT: You agree that we are the owner of and have title to quipment. You agree, all your expense, to protect and defend our title and other rights to the Equipment, ar, you agree that you will at all times keep the Equipment free from all legal process and liens and you give us immediate notice if any legal process or lien is asserted or made against you or the Equipment hall have the right to quiet use and enjoyment of the Equipment for the term of this Lease, provided you it in default. We also have the right, at reasonable times, to inspect the equipment at your expense.

IRE, USE AND LOCATION; LOSS OF EQUIPMENT: You are responsible for installing and keeping the ment in good working order and repair. You will keep and use the Equipment only at your address I on this Lease, only for business or commercial purposes and in compliance with all applicable laws, noes or regulations. You will not make any alterations to the Equipment without our prior written it, nor will you permanently attach the Equipment to any real estate. You are responsible for protecting juipment from damage, and from any other kind of loss while you have the Equipment or while it is being do you. In the event the Equipment is lost, stolen or damaged, so long as you are not in default this Lease, then you shall have the option within one week of such event to: (a) repair or replace the nent or (b) pay to us the unpaid balance of the remaining Rent under this Lease and our residual it in the Equipment, discounted to present value at the rate of five percent (5%) plus any other tions.

XES AND FEES: You agree to pay when due all taxes, fees, fines, assessments and penalties relating Lease, including, without limitation, documentation fees, filing fees, credit fees, equipment inspection early termination or assumption fees, title fees, name change fees, sales or property taxes, use taxes is insess taxes. You also agree that we may estimate the yearly personal property taxes that will be due. Equipment, and you agree to pay us the estimated taxes together with a processing fee as invoiced by we pay any taxes, fines or penalties for you, you agree to reimburse us, together with a processing fee, nand.

IDEMNITY: We are not responsible for any injuries or losses to you or any other person or property 1 by the installation, operation, maintenance or use of the Equipment. You agree to reimburse us for stend us against any claims for such losses or injuries, including, without limitation, those arising out of gligence, tort or strict liability claims. This indemnity shall continue even after the term of this lease has

ISURANCE: During the term of this Lease, you will keep the Equipment insured against all risks of loss rage in an amount not less than the replacement cost of the Equipment, without deductible and without trance. At our request, you will also obtain and maintain for the term of the Lease, comprehensive liability insurance in amounts acceptable to us. We will be the sole lender loss payee named on the ty insurance and named as an additional insured on the public liability policy. You will pay all premiums the insurance. If you do not provide such insurance, you agree that we have the right, but not the ion, to obtain such insurance and charge you a fee. You will give us certificates or other evidence of the when we request same, and such certificates shall provide that we shall be given 30 days advance of any cancellation, nonrenewal or other material change in the insurance. You grant us and our agents of-attorney in your name to apply for insurance benefits and endorse checks received in payment of the claims.

EFAULT AND REMEDIES: If you: (A) do not pay any Obligation when due; (B) break any of your es, representations or covenants under this Lease or under any other agreement with us; (C) become nt, assign your assets for the benefit of your creditors; (D) or any guarantor enters (voluntarily or itarily) into a bankruptcy proceeding; (E) default on any obligations to any of your other creditors; (F) lade any representations to us with respect to any information provided in connection with this Lease or ler agreement with us that is not truthful at the time it is made or have omitted any material information spect to your assets or liabilities, or any other information that would be considered material in the ion of credit; (G) are a corporation and more than 20% of the issued and outstanding voting capital a transferred to or acquired by any person or entity that is not an owner as of the date of this Lease; (H) arrantor dies; or (I) you change your name, state of incorporation, chief executive office and/or place of ice without providing us with 30 days prior written notice of such change, you will be in default. In the of a default by you, we can require that you return the Equipment to us and pay to us the remaining a of all of the Rent due under this Lease, discounted to present value at five percent (5%), together with the amounts due under this Lease. We can also require that you pay to us our residual interest in the tent interest shall accrue on all on all Obligations due us from the date of default until paid at the rate leen percent (18%) per annum, but only to the extent permitted by law. We shall also be entitled to

recover from you all damages caused by that default, including any of our income tax benefits. We can also use any of the remedies available to us under the UCC or any other law, including repossession of the Equipment or other Collateral. You agree to reimburse us for all charges, costs, expenses and attorneys' fees that we have to pay to enforce this Lease or collect the Obligations under this Lease and in any lawsuit or other legal proceeding which we are required to bring or defend because of your default. You also agree that in the event of a dispute related to or arising out of this Lease, the prevailing party in such dispute shall be entitled to recover its reasonable attorney's fees and costs. If we have to take possession of the Equipment, you agree to pay the cost of repossession, storing, shipping, repairing and selling the Equipment. You agree that we do not have to notify you that we are selling the Equipment. You also agree that we are entitled to abandon the Equipment if we reasonably believe it to be in our best interests.

13. OTHER RIGHTS: Time is of the essence in this Lease. You agree that any delay or failure by us to enforce our rights under this lease or any other agreements shall not prevent us from enforcing any rights at a later time. Both parties intend this Lease to be a valid and legal document, and agree that if any part is determined to be unenforceable, all other parts will remain in full force and effect. You also grant us a security interest in the Equipment and any accessions and attachments to the Equipment as security for your Obligations. You agree that we may obtain information from credit reporting agencies at any time. You agree that, at your expense, we may file financing statements or other related filings in our name or in the name of any agent designated by us in a separate agreement entered into by us without your consent or notice to you. You hereby authorize us, or our assigns, to file a financing statement without your signature, in form and content and from time to time as we deem proper, listing you as Lessee or Debtor. You appoint us or our designee as your attorney-in-fact to execute and file, on your behalf, financing statements covering the equipment or any other collateral. Any notice required by this Lease or the UCC shall be deemed to be delivered when a record properly directed to the intended recipient has been (a) deposited with the US Postal Service, (b) transmitted by facsimile, (c) transmitted through the Internet; or (d) has been personally delivered. 14. LESSEE REPRESENTATIONS AND WARRANTIES: You hereby represent and warrant that at the time you sign this Lease you are and shall remain a business entity duly organized, validly existing, and in good standing under the laws of the state of your organization, duly qualified to conduct business in every jurisdiction where you conduct business and are not subject to any bankruptcy proceeding and that your exact legal name, state of incorporation, location of your chief executive office and/or your place of residence as applicable, have been correctly identified to us. You further represent and warrant that at the time you sign this Lease the person executing this Lease or any related document on behalf of you or any related guarantor shall be authorized to take such action and bind you and the guarantor to the Lease, and that the execution, delivery and performance of this Lease is duly authorized by your organizational documents and, if necessary, resolutions of your directors and/or shareholders, partners, or managers and/or members.

15. RETURN OF EQUIPMENT; RENEWAL: If no default exists or has occurred under this Lease, you may, at the end of the original or any renewal term, purchase all (but not less than all) of the Equipment for a sum set forth on the front of this Lease, plus any applicable taxes. If Buyout is indicated in the End of Term section on the front of this lease, then you shall pay said sum for the purchase of the Equipment, rather than have an option to do so. Unless the End of Term option price is \$101 or less, then at least 120 days prior to the end of the original term you must give us written notice via certified mail that you will purchase the Equipment or that you will return the Equipment to us. If you do not give us such written notice or if you do not purchase or deliver the equipment in accordance with the terms and conditions of this Lease, then this Lease shall automatically renew for a 6 month term, and thereafter renew for successive 3 month terms until you deliver the Equipment to us. During such renewal(s), the Rent shall be the highest monthly rate set forth in this Lease. We may cancel the renewal by sending you written notice 90 days prior to such renewal term. If the Fair Market Value Purchase Option has been selected, we will use our reasonable judgment to determine the Equipment's fair market value. This End of Term option may become null and void at our discretion if any Event of Default occurs or continues at any time during the original term of the Lease. Upon payment of End of Term option price, and if no default exists, we shall transfer our interest in the Equipment to you "AS IS, WHERE IS" without any representation or warranty whatsoever and this Lease will terminate. Provided you have given the required notice, and are not then in default, you shall return the Equipment, freight and insurance prepaid, to us in good repair, condition, and working order, ordinary wear and tear excepted, in a manner and to a location designated by us.

16. LATE CHARGE; FEES: If any part of any Obligation is not made by you within ten (10) days of its due date, you agree to pay us ten percent (10%) of each such late payment (to the extent permitted by law). You agree to pay us the late charge not later than one month following the date that the Obligation was first due. You agree to reimburse us for our reasonable expenses incurred in connection with this Lease, including, but not limited to, a documentation fee based on our current fee schedule which is available to you upon your request.

17. ENTIRE AGREEMENT; CHANGES: This Lease contains the entire agreement between you and us, and it may not be altered, amended, modified, terminated or otherwise changed except in writing and signed by both you and us. A limiting endorsement on a check or other form of payment will not be effective to modify the Obligations or any of the other terms and conditions of this Lease, and we may apply any payment received without being bound by such limiting endorsements.

18. COMPLIANCE; NOTICES: In the event you fail to comply with any terms of this Lease, we can, but we do not have to, take any action necessary to effect your compliance upon ten (10) days prior written notice to you. If we are required to pay any amount to obtain your compliance, the amount we pay plus all of our expenses in causing your compliance, shall become additional Obligations and shall be paid by you together with the next due Rent payment. If any notices are required under this Lease, they shall be sufficient if given personally or mailed to the address set forth in this Lease by certified or registered mail, postage prepaid. This Lease is for the benefit of and is binding upon you and your personal representatives, successors and assigns.

19. CHOICE OF LAW; JURISDICTION: YOU AND WE AGREE THAT THIS LEASE SHALL BE BINDING WHEN ACCEPTED IN WRITING BY US AT OUR OFFICES AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AND WE EACH CONSENT TO THE JURISDICTION OF THE COURTS OF ORANGE COUNTY, CALIFORNIA AND/OR THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION, AT OUR SOLE OPTION, FOR THE DETERMINATION OF ALL DISPUTES ARISING UNDER THIS LEASE. However, you agree that we will have the right to commence any action in any Court having the proper jurisdiction for that action. You agree and consent that we may serve legal papers on you by registered or certified mail, which shall be sufficient to obtain jurisdiction.

20. REPRESENTATIONS AND COVENANT OF LESSEE: You represent that all financial and other information furnished to us was, at the time of delivery, true and correct. During the term of this Lease, you shall provide us with such interim or annual financial statements and filed tax returns as we request 21. If this document was sent electronically, you hereby warrant that this document has not been altered in any way. Any alteration or revision to any part of this or any attached documents will make all such alterations or revisions non-binding and yold.

Page 2 of 2

LA#:51343-000

BALBOR

#### ADDENDUM "B"

TO

### LEASE AGREEMENT NO. 51343-000

The Lessees name as stated on all Lease documents is hereby changed from "Robert Moore dba RCM Enterprises" to "Robert Moore II dba RCM Enterprises", which shall be applied as set forth in the Lease.

In all other respects, the terms and conditions of the Lease, as originally set forth, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, by their authorized signatories, have executed this Addendum "B" on the date set forth below their respective signatures.

LESSOR: Balboa Capital Corporation

By: Slanka

1/28/03

LESSEE: Robert Moore II dba RCM Enterprises

hober Mode I

Robert Moore II, Individual/Owner

DATE: 12/20/02





# Addendum "B" Lease Agreement: 51343-000

Reference is made to the above-referenced Lease.	Agreement ("Lease") datedby and						
between Robert Moore dba RCM Enterprises and BALBOA CAPITAL CORPORATION, as	Lessor. , as Lessee,						
Notwithstanding the terms and conditions contains and Lessee agree as follows:	Notwithstanding the terms and conditions contained in the Lease and to the limited extent hereof, Lessor and Lessee agree as follows:						
Lessor and Lessee hereby agree that the name of justifier correct legal name, and the parties agree the reflect the correct legal name to N/A.	correct legal name, and the parties agree that such name is hereby changed to the following to						
Lessor and Lessee hereby agree that the address of Lessee for all purposes of the Lease is hereby changed to N/A							
The Monthly Rent amount of " N/A agrees to make such payments as set forth in the L	_" is hereby changed to " N/A" and Lessee .ease.						
The Deposit amount of "N/A" is happlied as set forth in the Lease.	ereby changed to "_N/A", which shall be						
The Base Term of "N/A" is hereby changed to "N/A".							
The End of Term Option of Fair Market Value \$\frac{101.00}{}	The End of Term Option of "Fair Market Value" is hereby changed to "."						
In all other respects, the terms and conditions of the	ne Lease, as originally set forth, shall remain in full force						
IN WITNESS WHEREOF, the parties hereto, by t Addendum "B" on the date set forth below their re	their authorized signatories, have executed this spective signatures.						
Subject to credit approval, delivery of this docu have the same force and effect as i	ment bearing a facsimile signature or signatures shall if the document bore an original signature						
90F: LBOA CAPITAL CORPORATION	Lessee: Robert Moore dbs RCM Enterprises						
è President	Name: Robert Moore Title: Individual/Owner						
ie:	Date:12/20/02						



### DELIVERY AND ACCEPTANCE CERTIFICATE

Lease #: 51343-000

By signing below, you, the Lessee, agree:

A) That all Equipment described in the Lease identified above has been delivered, inspected, installed and is unconditionally and irrevocably accepted by you as satisfactory for all purposes of the Lease; and

B) That we, Balboa Capital Corporation, are authorized to purchase the Equipment and start billing you under the Lease as set forth in Section 2.

Date of Acceptance:	1/27/03	
Lessee: Robert Moore di	oa RCM Enterpris	ses
Robert Moore, Individual/	700 Owner	
I hereby authorizeAgreement # _51343-000	_ in my absence.	to orally verify my/our acceptance of the equipment subject to Lease



### EXHIBIT 'A' EQUIPMENT DESCRIPTION

The following invoice(s) are referenced, and hereby incorporated, for the purpose of describing the equipment subject to lease agreement # 51343-000. By signing below, I, the lessee, acknowledge that I choose to lease the equipment listed on the invoice(s) per the payment schedule and the terms and conditions set out in lease agreement # 51343-000, which is the governing document to this lease regardless of the price and terms (if any) indicated on the invoice(s).

EQUIPMENT INVOICE# DATE VENDOR

1 HAAS SL-20 CNC LATHE W/ PTS20, VOPLC20-1 122406 12/24/02 SELWAY MACHINE TOOL CO. INC AC-16C COLLET CHUCK, AND ASSORTED TOOLING

Lease #: 51343-000

Lessee: Robert Moore dba RCM Enterprises

Robert Moore, Individual/Owner

Date: 12/20/02

