



EAGLE BAG CORP.

700A Independent Road, Oakland, CA 94621

Tel: (866) 639-7191

Fax: (510) 639-6600

July 5, 2005

Kit Menkin
www.leasingnews.org

Re: Balboa Capital LA#33419-001

Dear Mr. Menkin,

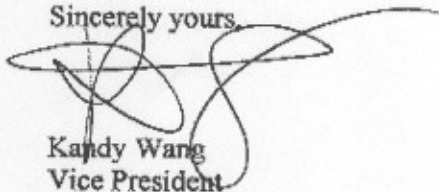
Thanks so much for your prompt response on our request.

There is no dispute over the monthly payments that we made. The dispute is over the residual. Nonetheless, we have records of all payments made. We were deceived into thinking that the interest rate was lower, that there was no residual, and that there would not be a blanket UCC filing against our company.

Now that we've tried to resolve this matter we hear nothing from Balboa. Thanks

Should you have any question, please call me anytime at 866-639-7191.

Sincerely yours,



Kandy Wang
Vice President

JUL. 6. 2001 12:09PM

NO. 676 P. 2



**BALBOA
CAPITAL**

*Equipment
Leasing
&
Finance*

EQUIPMENT LEASE PROPOSAL

FAXED
FEB 19 2001
BY: _____

Kandy Wang
Eagle Bag Corporation
700A Independent Road
Oakland, CA 94621

July 6, 2001

Dear Kandy,

Balboa Capital Corporation is pleased to propose the following equipment lease terms for your consideration. Please review the terms outlined and indicated your understanding and agreement by signing in the space below.

| | |
|-----------------|------------------------------|
| Lessee: | Eagle Bag Corporation |
| Equipment: | (01) Misc. Equipment |
| Cost: | \$100,000.00 |
| Term: | 42 months |
| Monthly rental: | \$3,358.72 |

By signing below you are indicating your acceptance of this proposal and commitment to use Balboa exclusively for the lease of this equipment. Upon receipt of final lease documentation, you agree to execute and return the same in a timely manner.

A commitment fee payable to Balboa Capital in the amount of \$ 1,000.00 accompanies this signed proposal and will be applied to the first and last monthly rentals. This commitment fee is refundable should the lease not be approved as proposed here.

This proposal is valid for ten (10) days from the date stated above. The contemplated transaction represents a net lease whereby maintenance, insurance, property taxes, documentation costs, and all items of a similar nature are payable by the Lessee.

I look forward to being of service to you on this transaction and will work closely with you to ensure your complete satisfaction.

Sincerely,

AGREED AND UNDERSTOOD:

BALBOA CAPITAL CORPORATION

EAGLE BAG CORPORATION

BY: *Stephen Ditter*

BY: _____

NAME: Stephen Ditter

NAME:

TITLE: Executive Account Manager

TITLE:

DATE: July 6, 2001

DATE: _____

LOS ANGELES
SAN FRANCISCO
PHOENIX
NEW YORK

**BALBOA CAPITAL CORPORATION
MASTER LEASE AGREEMENT**

LA NO. 33419-001

| | | | |
|--------------------------------|---|--------|--------------|
| LESSEE Eagle Bag Corp. | CITY, STATE Oakland, CA | COUNTY | ZIP 94621 |
| STREET 700 Independent Road | NAME AND TITLE Kandy Huiyi Wang, General Manager | | |

This Master Lease Agreement is entered into as of the date set forth below by and between BALBOA CAPITAL CORPORATION ("Lessor") and Lessee with reference to the following facts:

- A. From time to time Lessee desires to lease various items of personal property from Lessor; and
 B. Lessor and Lessee desire to set forth the terms and conditions under which such lease(s) shall be governed;
 C. "Master Lease" shall mean this agreement; "Lease" shall mean each Schedule entered into between Lessor and Lessee pursuant to this Master Lease.

NOW THEREFORE, Lessor and Lessee agree as follows:

TERMS AND CONDITIONS OF LEASE

1. **LEASE.** Lessor shall lease to Lessee and Lessee shall lease from Lessor the items of equipment and other personal property (hereinafter, together with all replacements, repairs, substitutions, additions, accessories and accessories therefor and/or thereto, called the "Equipment") described in the lease Schedule(s) (hereinafter individually called a "Schedule" and collectively called "Schedules") now or hereafter from time to time executed by Lessor and Lessee and made a part hereof, all upon the terms and conditions hereinafter set forth as supplemented with respect to each item of Equipment by the terms and conditions set forth in each schedule.

2. **TERM.** Each Schedule shall become effective upon acceptance by Lessor by signing and dating each Schedule and the term for any Schedule(s) shall commence on the day that the leased property has been delivered to and is usable by Lessee ("Commencement Date"). Lessee shall at its sole discretion select the type, quantity and supplier of each item of Equipment. Lessor shall not be liable to Lessee for any failure or delay in obtaining delivery of any Equipment. Upon delivery of any Equipment to Lessee, Lessee shall forthwith inspect such Equipment and, within ten (10) days of delivery of the Equipment, Lessee shall execute and deliver to Lessor a Delivery and Acceptance Certificate, in form and substance satisfactory to Lessor. Lessee's execution and delivery of a Delivery and Acceptance Certificate covering any Equipment shall conclusively establish, as between Lessor and Lessee, that such Equipment has been unconditionally accepted by Lessee for all purpose of this Lease.

With respect to each Lease, if for any reason the Equipment has not been delivered, installed and accepted by Lessee within sixty (60) days after it is ordered by Lessor, or if Lessee fails to accept the Equipment and execute a Delivery and Acceptance Certificate within (10) days following delivery of the Equipment, Lessor may at Lessor's option, terminate Lessor's obligations under such Lease and Lessee shall, on demand of Lessor, pay Lessor all amounts paid or owing by Lessor with respect to the purchase of such Equipment and indemnify and hold Lessor harmless from any and all liabilities, claims, costs and expenses to the manufacturer or supplier/vendor of the Equipment or any party, arising out of or relating to the Equipment or the Lease. Upon payment of such amounts, Lessor shall release, remise and quit claim such Equipment to Lessee AS IS, WHERE IS, AND WITHOUT WARRANTY EXPRESSED OR IMPLIED BY LESSOR AS TO ANY MATTER WHATSOEVER. Lessee shall upon such payment be subrogated to Lessor's claim, if any, against the manufacturer or supplier/vendor of such Equipment.

Lessee agrees that its remedies, should it find fault with any of the Equipment, shall be and are solely against the manufacturer and/or supplier/vendor of such Equipment. The base term of each Lease shall commence on the first day of the month following the Commencement Date and terminate upon the expiration of the number of months specified in each Schedule. Each Lease may be terminated by Lessee at the end of the base term if one hundred twenty (120) days prior to the end of the base term, written notice of such termination is delivered to Lessor (by certified mail). Each Lease may be terminated by Lessor at the end of the base term if at least sixty (60) days prior to the end of the base term, written notice of such termination is delivered to Lessee (by certified mail). Otherwise the term of each lease shall automatically be extended for six months following the end of the initial base term at the rent stated on the respective Schedule(s), and shall renew thereafter for successive three month periods until notice of termination is provided by Lessee. During the initial extension period, Lessor, at its sole option, may terminate each lease upon ninety (90) days prior written notice to Lessee (by certified mail). After the initial extension period, each Lease may be terminated by either Lessor or Lessee at the end of any calendar month, provided that ninety (90) days prior written notice of such termination is delivered to the other party (by certified mail).

3. **RENT.** The monthly rent payable with respect to any Schedule(s) shall be the amount shown on such Schedules(s). Lessee shall pay to Lessor the monthly rent for each Schedule, in advance, for each month or any part thereof that each Lease is in effect. The first such payment, with respect to any schedule, shall be made on the first day of the month following the Commencement Date. A prorata portion of the rental charges based on a daily rental of one-thirtieth (1/30) of the aggregated average of the monthly rentals calculated from the Commencement Date to the end of the month shall be due and payable at the Commencement Date. Installments of rent or personal property tax which are not paid within ten (10) days of their due date shall be subject to a late charge equal to ten percent (10%) of each such delayed payment. The late charge set forth in this contract shall apply only when permitted by law and, if not permitted by law, the late charges shall be calculated at the maximum rate permissible by law. In the event that a check or other instrument tendered for payment is dishonored, Lessor shall be entitled to a twenty-five dollar (\$25.00) fee. All rent shall be paid at the place of business of Lessor shown above or such other place as Lessor may designate by written notice to Lessee. Lessee agrees to pay taxes and reasonable fees, including but not limited to documentation fees, filing fees, credit fees, equipment inspection fees, title fees, property taxes, sales taxes, use taxes, business taxes and further agrees to pay twenty dollars (\$20.00) per collection call and one hundred dollars (\$100.00) per collection visit. Lessor may apply remittances received to unpaid rental installments and/or other charges on a due date basis, remittance received being applied to the oldest unpaid rental or charge.

4. **FINANCE LEASE STATUS.** The parties agree that this Lease is a Finance Lease as defined by Section 10103(a)(7) of the California Uniform Commercial Code ("UCC"). Lessee acknowledges the following: (a) Lessor has not selected, manufactured, or supplied the Equipment; (b) Lessor acquired the Equipment or the right to possession and use of the Equipment in connection with the Lease; (c) Lessee has received, reviewed and approved all written Supply Contracts (as defined by UCC Section 10103(a)(25)) covering the Equipment purchased from the Supplier (as defined by UCC Section 10103(a)(24)) thereof for lease to Lessee on or before signing this Lease Contract (as defined by UCC Section 10103(a)(12)); (d) Lessor has informed Lessee in writing of the identity of the Supplier; (e) Lessor has informed Lessee that Lessor may have rights under the Supply Contract and that Lessee is to contact the Supplier for a description of any such rights; and; (f) Lessor provides no warranties or other rights with respect to the purchase of the Equipment and any and all rights Lessee has with respect to the purchase of the Equipment are solely against supplier, and Lessee may communicate at any time with the supplier prior to executing this Lease.

5. **DISCLAIMER OF LESSOR WARRANTIES.** LESSEE ACKNOWLEDGES THAT THE EQUIPMENT TO BE LEASED HEREUNDER WILL BE OF A TYPE, DESIGN, SIZE, CAPACITY AND MANUFACTURER SELECTED BY LESSEE; THAT LESSOR IS NOT A MANUFACTURER OF, OR DEALER IN, THE EQUIPMENT; THAT NEITHER THE VENDOR, THE MANUFACTURER NOR ANY AGENT THEREOF IS AN AGENT OF LESSOR; THAT LESSOR HAS NOT, WILL NOT, AND HAS NO OBLIGATION TO, INSPECT THE EQUIPMENT PRIOR TO DELIVERY TO LESSEE; THAT LESSOR IS NOT RESPONSIBLE FOR REPAIRS, SERVICE OR DEFECTS IN THE EQUIPMENT OR OPERATION THEREOF; AND THAT LESSOR HAS NOT MADE, WILL NOT MAKE, AND HEREBY DISCLAIMS ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, OF ANY KIND OR AS TO ANY MATTER WHATSOEVER ON WHICH LESSEE MAY RELY, INCLUDING WITHOUT LIMITATION THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, COMPLIANCE WITH LAWS, GOVERNMENTAL REGULATIONS OR RULES, ORDERS, SPECIFICATIONS OR CONTRACT, CONDITION, TITLE, QUALITY, DESIGN, DURABILITY, OR SUITABILITY FOR LESSEE'S PURPOSE OF THE EQUIPMENT IN ANY RESPECT, OR ANY PATENT INFRINGEMENT, OR LATENT OR PATENT DEFECTS. LESSOR WILL, HOWEVER, UPON LESSEE'S REQUEST AND IF LESSEE IS NOT IN DEFAULT, TAKE ANY STEPS REASONABLY WITHIN ITS POWER TO MAKE AVAILABLE TO LESSEE ANY MANUFACTURER'S OR SIMILAR WARRANTY APPLICABLE TO THE EQUIPMENT. LESSOR SHALL NOT BE LIABLE TO LESSEE FOR ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY THE EQUIPMENT OR ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY INCIDENT WHATSOEVER IN CONNECTION THEREWITH, AND LESSEE HEREBY ACKNOWLEDGES THE FOREGOING DISCLAIMER BY LESSOR.

6. **NET LEASE; NO OFFSET.** THIS IS A NET LEASE, AND ALL RENT AND ALL OTHER SUMS PAYABLE BY LESSEE HEREUNDER SHALL BE PAID UNCONDITIONALLY WHEN DUE WITHOUT ABATEMENT, DEDUCTION, COUNTERCLAIM OR SETOFF OF ANY NATURE INCLUDING WITHOUT LIMITATION ANY COUNTERCLAIM OR SETOFF ARISING OUT OF ANY PRESENT OR FUTURE CLAIM LESSEE MAY HAVE AGAINST LESSOR, OR ANY ASSIGNEE OF LESSOR OR THE MANUFACTURER OR SUPPLIER OF THE EQUIPMENT, OR ANY OTHER PARTY. In no event, except as otherwise expressly provided herein, shall this Lease terminate or shall any of the Lessee's obligations be affected by reason of any defect in or damage to or loss or destruction of all or any part of the Equipment, from any cause whatsoever, or any interference with Lessee's use of the Equipment by any person or for any other cause whatsoever.



7. **COMMERCIAL RISK.** Lessee bears all risk that the Equipment may become unusable for any reason, including without limitation, loss, theft, damage, destruction, defect, GOVERNMENTAL REGULATION, PROHIBITION, IMPRACTICABILITY OF USE, OBSOLESCENCE, FAILURE TO OPERATE BY REASON OF THE CHANGE OF THE CENTURY OR COMMERCIAL FRUSTRATION. No inability to use the Equipment shall result in the termination of any Lease or relieve Lessee from any of its obligations under any Lease.

8. **USE AND LOCATION.** Lessee shall use the Equipment in a careful and proper manner and in compliance with all laws, ordinances, regulations and insurance policy conditions in any way relating to the possession, use or maintenance of the Equipment. Unless the Equipment is of a type normally used at more than one location (such as vehicular equipment, construction machinery or the like). Lessee shall not remove the equipment from the location designated in the applicable Schedule(s) without the prior written consent of Lessor. If an item of Equipment is of a type normally used at more than one location, Lessee shall not use the Equipment outside of the area designated in the applicable Schedule(s) without prior written approval of Lessor. Lessee shall comply with any and all applicable environmental laws and will not use any hazardous substances with the Equipment. Lessee represents and warrants to Lessor that the Equipment is being leased and will be used solely for commercial or business purposes and will not be used for personal, family or household purposes.

9. **OWNERSHIP.** The Equipment is, and shall at all times be and remain, the sole and exclusive property of Lessor, and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. Plates, labels or other markings stating that the Equipment is owned by Lessor shall be affixed to or placed on the Equipment by Lessor or, at Lessor's request or if required by law, by Lessee at Lessee's expense, and Lessee shall keep the same in a prominent position thereon.

10. **PERSONAL PROPERTY.** The Equipment is, and shall at all times be and remain, personal property notwithstanding that it or any part thereof may now be or hereafter become, in any manner affixed or attached to, or embedded in, real property or any building thereon. Lessee agrees that it will furnish and record, at its own expense, such owners', mortgagees', landlords', or other disclaimers, waivers, or consent as may be necessary or reasonably requested by Lessor in order to give full effect to the intent and provisions of the preceding sentence.

11. **MAINTENANCE AND REPAIRS.** Lessee, at its own cost and expense, shall keep the Equipment in good repair, condition and working order and shall furnish any and all parts, mechanisms and devices required for such purpose. All such parts, mechanisms and devices affixed to any Equipment shall thereupon become the property of Lessor and subject to the terms and conditions of this Lease. Lessee shall modify the Equipment if required by any governmental authority or law and will make such modification known to Lessor by written notice to be delivered by certified mail.

12. **ALTERATIONS.** Without the prior written consent of Lessor, Lessee shall not make any alterations, additions or improvements to the Equipment. All additions and improvements of whatsoever kind or nature made to the Equipment shall be made at Lessee's sole cost and expense and when made become the property of Lessor and subject to the terms and conditions of this Lease.

13. **LESSOR'S INSPECTION.** Lessor shall during normal business hours have the right to enter into and upon any premises where any Equipment may be located for the purpose of inspecting such Equipment or observing its use. Lessee shall, whenever requested by Lessor, advise Lessor of the exact location of any and all items of Equipment.

14. **LOSS, THEFT AND DAMAGE.** Lessee shall at all times after signing this Lease bear the entire risk of loss, theft, damage or destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve Lessee of the obligation to pay rent or to comply with any other obligation under this Lease. In the event of damage to any part of the Equipment, Lessee shall place same in good repair at Lessee's expense. If Lessor determines that any part of Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee shall, at Lessee's option do one of the following: (a) place such Equipment in good repair, condition and working order, acceptable to Lessor, or (b) replace such Equipment with like Equipment in good repair, acceptable to Lessor and furnish to Lessor all necessary documents vesting good and marketable title thereto in Lessor unencumbered by any lien or security interest, which replacement Equipment shall thereupon become the property of Lessor and be subject to the terms and conditions of this Lease, or (c) pay Lessor therefor in cash the "Stipulated Loss Value" of such Equipment, defined as all rent and other amounts due and to become due under the lease with respect to such Equipment, plus twenty percent (20%) of the actual cost of said item of Equipment, specified in this lease applicable thereto, representing Lessor's minimum residual value in the Equipment at the end of the Lease term. Upon Lessor's receipt of payment as set forth above, Lessee shall be entitled to title in the Equipment AS-IS and WHERE-IS and without warranty, express or implied.

15. **INSURANCE, LIENS AND TAXES.** Lessee shall provide and maintain insurance against loss, theft, damage or destruction of the Equipment in an amount of not less than the Stipulated Loss Value of the Equipment, with loss payable to Lessor. Lessee shall also provide and maintain comprehensive general all risk liability insurance including but not limited to product liability coverage, insuring Lessor and Lessee, with severability of interest endorsement, or its equivalent, against any and all loss and liability for all damages, either to persons or property or otherwise, which might result from or happen in connection with the condition, use or operation of the Equipment, with such limits and with an insurer satisfactory to Lessor. Each Policy shall expressly provide that said insurance as to Lessor and assigns shall not be invalidated by any act, omission, or neglect of Lessee and cannot be cancelled without thirty (30) days prior written notice to Lessor. As to each policy, Lessee shall furnish to Lessor a certificate of insurance from the insurer, which certificate shall evidence the insurance coverage required by this paragraph. Lessor shall have no obligation to ascertain the existence of or provide insurance coverage for the Equipment or for Lessee's benefit. If Lessee fails to provide such insurance, Lessor will have the right, but no obligation, to have such insurance protecting the Lessor placed at Lessee's expense. Such placement will result in an increase in Lessee's periodic payments, such increase being attributed to Lessor's cost of obtaining such insurance and any customary charges or fees of Lessor or its designee associated with such insurance. Lessee hereby appoints Lessor or its agents or assigns its true and lawful attorney-in-fact to make claims for, receive payments for, and execute and endorse all documents, checks or drafts for loss, theft, or damage or destruction of the Equipment under any property insurance.

Lessee shall keep the Equipment free and clear of all levies, liens and encumbrances. Lessee shall pay all charges and taxes (local, state and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sales, purchase, possession, or use of the Equipment, excluding, however, all taxes on or measured by Lessor's net income. Lessee agrees to pay all licensing, filing and registration fees, and to pay to Lessor for all personal property taxes assessed with respect to the Equipment, its use or any interest therein. If any such fee, assessment, duty, charge or tax is, or is to be, assessed or billed to Lessor, Lessee upon the request of Lessor and at the expense of Lessee shall do any and all things required to be bound by Lessor in connection with the levy, assessment, billing and payment thereof. Upon Lessor's request, Lessee shall, on any property tax returns required to be filed with respect to the Equipment, including the property covered by this Lease and any substitution or addition thereto as property owned by Lessee for purposes of tax assessments, cause all billings of such fees, assessments, duties, charges or taxes to be addressed to Lessor in care of Lessee, and shall submit to Lessor written evidence of payment of the same. Alternatively, Lessee shall at the request of Lessor, forthwith pay Lessor the amount (estimated or otherwise) of any such fees, assessments, duties, charges and taxes, and Lessor shall apply the same to the payments thereof. Lessee shall pay Lessor a charge for Lessor's handling or collecting taxes, assessments, charges or fees for which Lessee is liable, and any collection charges attributed thereto, including reasonable attorney fees. Lessee shall also pay all taxes arising out of Lessee's exercise of any purchase option relating to this Lease (including sales tax.)

16. **ENCUMBRANCES AND TAXES.** Lessee shall keep the Equipment free and clear of all levies, liens and encumbrances, and shall pay promptly when due, and shall indemnify and hold Lessor harmless from, all license fees, registration fees, import duties, assessments, charges and taxes (municipal, state, federal or other) which may now or hereafter be imposed upon the ownership, leasing, renting, sale, possession or use of the Equipment (whether the same be assessed to Lessor or Lessee), together with any penalties or interest in connection therewith, excluding, however, all taxes on or measured by Lessor's net income. If any such fee, assessment, duty, charge or tax is, or is to be, assessed or billed to Lessor, Lessee upon the request of Lessor and at the expense of Lessee shall do any and all things required to be done by Lessor in connection with the levy, assessment, billing and payment thereof. Upon Lessor's request, Lessee shall, on any property tax returns required to be filed with respect to the Equipment, including the property covered by this Lease and any substitutions or additions thereto as property owned by Lessee for purposes of tax assessments, shall cause all billings of such fees, assessments, duties, charges or taxes to be addressed to Lessor in care of Lessee, and shall submit to Lessor written evidence of payment of the same. Alternatively, Lessee shall at the request of Lessor, forthwith pay Lessor the amount (estimated or otherwise) of any such fees, assessments, duties, charges and taxes, and Lessor shall apply the same to the payment thereof. Lessee shall also pay all taxes arising out of Lessee's exercise of any purchase option relating to any Lease (including sales tax.)

17. **LESSOR'S PAYMENT.** In case of failure of Lessee to procure or maintain proper insurance or to pay such fees, assessments, duties, charges and taxes or to keep any item of Equipment free and clear of all levies, liens and encumbrances or in good repair, condition and working order, all as herein before provided, Lessor shall have the right, but not the obligation, without notice to or demand upon Lessee, and without releasing Lessee from any obligation herein before specified, to effect and pay for such insurance or to pay such fees, assessments, duties, charges and taxes or to keep such Equipment in good repair, condition and working order, as the case may be, and to pay, purchase, contest or compromise any encumbrance, charge or lien which in the sole judgment of Lessor appears to affect such Equipment, and in exercising any such right, to incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by Lessor shall immediately become due and payable by Lessee upon payment by Lessor and shall thereafter bear interest at the rate of 18% per annum, but not greater than the highest rate permitted by any applicable usury law.

18. **RETURN OF EQUIPMENT.** Upon expiration of the term of any lease, (unless Lessee shall have duly exercised any purchase option with respect to such Lease), or after default, on demand by Lessor, Lessee will at its sole cost and expense deliver the Equipment (in the same condition as when delivered in Lessee, reasonable wear and tear resulting from authorized use thereof alone excepted to Lessor's premises set forth above or any place designated by Lessor in writing, for such disposition as Lessor may determine. No such return shall constitute termination of this Lease unless Lessor shall agree so in writing.



19. **COMMITMENT FEE.** Unless otherwise delineated on the respective Schedule(s), the amount, if any, which Lessee has deposited with Lessor as set forth in any Schedule shall constitute partial security for Lessee's obligations under this Lease. This commitment fee shall not be refunded, but upon Lessor's acceptance of Lessee's offer to enter into any Lease, may at Lessor's option, be applied at any time in partial satisfaction of any obligation of Lessee which may be in default, although the making of such deposit shall not excuse Lessee from any such obligation and such application of the amount shall only release Lessee from the obligation pro tanto. Lessee acknowledges that Lessor shall deposit this commitment fee and that the deposit of this commitment fee shall not be construed as an approval and/or acceptance any Lease and shall not become binding upon Lessor until approval and acceptance by Babco Capital Corporation's Finance Committee.

20. **ASSIGNMENT BY LESSOR.** Lessor may, at any time, with or without notice to Lessee, mortgage, grant a security interest in, or otherwise transfer, sell or assign this Lease or any Equipment or any rentals or other amounts due or to become due hereunder. Lessee agrees with Lessor and any such assignee (including any assignee to which such rights have been assigned by a prior assignee) that, upon receipt by Lessee from Lessor or such assignee of notice in writing of any such assignment, Lessee will, make all further payments due or to become due hereunder directly to such assignee at the address specified in such notice of assignment and will recognize such assignee as the person entitled to exercise all other rights of Lessor hereunder. Lessee acknowledges that any assignment of Lessor's interest would neither materially change Lessee's duties or materially increase the burden or risk imposed on Lessee under any lease. Lessee further agrees with Lessor and any such assignee that in any action brought by such assignee against Lessee to enforce Lessor's rights hereunder Lessee will not assert against such assignee and expressly waives as against any assignee, any breach or default on the part of Lessor hereunder or any other defense, claim or set-off which Lessee may have against Lessor either hereunder or otherwise. No such assignee shall be obligated to perform any obligation, term or condition required to be performed by Lessor hereunder.

21. **DEFAULT.** Any of the following events or conditions shall constitute an event of default hereunder: (a) nonpayment of any rental payment or other amount provided for in any Lease; (b) default by lessee in the performance of any other obligation term or condition of any Lease; (c) default by Lessee in the payment or performance of any other indebtedness or obligation now or hereafter owed by Lessee in Lessor under any other agreement or instrument, which default has not been waived; (d) the issuance of any writ or order of attachment or execution or other legal process against any Equipment which is not discharged or satisfied within ten (10) days; (e) death or judicial declaration of incompetency of Lessee, if an individual; (f) the commencement of any bankruptcy, insolvency, arrangement, reorganization, receivership, liquidation or other similar proceedings by or against Lessor; (g) the making by Lessee of a general assignment or deed of trust for the benefit of creditors; (h) the occurrence of any event or condition described in clause (e), (f) or (g) of this Paragraph 21 with respect to any guarantor or any other party liable for payment or performance of each Lease; (i) if any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of Lessee or any guarantor or other party liable for payment or performance of this Lease, pursuant to or in connection with this Lease, proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or to have omitted any substantial contingent or unliquidated liability or claim against Lessee or any such guarantor or other party; (j) if the condition of Lessee's affairs shall change so as in the reasonable opinion of Lessor to impair Lessor's title to the Equipment or increase the risk of Lessee's non-performance; (k) if Lessee is a corporation and twenty percent (20%) or more of the then issued and outstanding voting capital stock of Lessee shall be acquired by any person, entity or group who are not such owners on the date of execution of each Lease; (l) any default occurs under any agreement now or hereafter securing any Lease; (m) breach of any negative covenant in any lease; or (n) if Lessee voluntarily permits any Equipment to become subject to a lien.

22. **REMEDIES OF LESSOR.** Upon the occurrence of any Event of Default and at any time thereafter, Lessor may without demand or notice to Lessee and without terminating or otherwise affecting Lessee's obligations hereunder exercise one or more of the following remedies, as Lessor in its sole discretion shall elect: (a) Lessor may sue for and recover from Lessee the sum of all unpaid rents and other payments due under each lease then accrued, all accelerated future payments due under each Lease, discounted to their present value at a discount rate of six percent (6%) as of the date of default, less the net proceeds of disposition, if any, of the Equipment; (b) require Lessee to assemble the Equipment and make it available to Lessor at a place designated by Lessor as provided in Paragraph 18 above; (c) take and hold possession of the Equipment and render the Equipment unusable, and for this purpose enter and remove the Equipment from any premises where same may be located without liability to Lessee for any damage caused thereby; (d) sell or lease the Equipment or any part thereof at public or private sale (and Lessor may be a purchaser at such sale) for cash, on credit or otherwise, without representations or warranties, and upon such other terms as shall be acceptable to Lessor, and for such purposes of sale or lease, Lessor may use Lessee's name, voice, signature, photograph or likeness, in any manner and for any purpose, including but not limited to advertising or selling, or soliciting purchases of, any or all of the Equipment, products, merchandise, goods or services; (e) use and occupy the premises of Lessee for the purpose of taking, holding, reconditioning, displaying, selling or leasing the Equipment, without cost to Lessor or liability to Lessee; (f) proceed by appropriate action either at law or in equity to enforce either performance by Lessee of the covenants of this Lease or to recover damages for the breach of such covenants; or (g) exercise any and all rights accruing to a lessor under any applicable law upon a default by Lessee. If notice is required by law, any written notice to Lessee of any such sale or lease, given not less than five (5) days prior to the date thereof, shall constitute reasonable notice to Lessee. Any sale or lease of the Equipment by Lessor after default shall be free and clear of any rights or interests of Lessee. Without limiting any of the foregoing remedies, Lessor may immediately recover the following from Lessee: (A) all unpaid rentals, late charges and other sums due as of the date of default; (B) all unpaid rentals to become due from the date of default through the last day of the term of each Lease; (C) any and all costs or expenses paid or incurred by Lessor in connection with the repossession, holding, repair, reconditioning and subsequent sale, lease or other disposition of the Equipment, including but not limited to attorney's fees and costs, whether or not litigation is commenced; (D) the residual value of any item of Equipment which Lessee fails to return to Lessor as provided above or converts or destroys, or which Lessor does not or is unable to repossess; (E) all other costs or expenses paid or incurred by Lessor at any time in connection with the execution, delivery, administration, amendment and enforcement or exercise of any of the Lessor's rights and remedies under each Lease, including but not limited to, attorneys' fees and costs, whether or not litigation is commenced, and taxes imposed by any governmental agency; (F) any actual or anticipated loss of federal or state tax benefits to Lessor (as determined by Lessor) resulting from Lessor's default or Lessor's repossession or disposition of the Equipment; and (G) any and all other damages proximately caused by Lessee's default. If Lessor obtains possession of any Equipment after default, the amount Lessor shall be entitled to recover shall be reduced by the lesser of (1) the rent due for the portion of the term of each lease remaining at the point in time the Equipment is re-sold or re-leased, or (2) either (A) the proceeds received by Lessor on the re-sale of the Equipment, less the re-sold Equipment's residual value or (B) the invoice value used for the re-lease of the Equipment less the re-leased Equipment's residual value. Lessor shall not be obligated to sell, lease, or otherwise dispose of any item of repossessed Equipment under each Lease if it would impair the sale, lease or other disposition by Lessor of similar equipment. Lessee shall be liable for any deficiency suffered by Lessor, and unless otherwise required by law, Lessor shall not be required to account to Lessee for any surplus or profit.

All rights and remedies of Lessor under each Lease are in addition to all rights and remedies contained in any other agreement, instrument or document or available to Lessor at law or in equity. All such rights and remedies are cumulative and not exclusive and may be exercised successively, concurrently and repeatedly. No default by Lessee or action by Lessor, including repossession, sale or re-leasing of Equipment, shall result in or constitute a termination of each Lease unless Lessor so notifies Lessee in writing, and no termination hereof shall release or impair any of Lessee's obligations hereunder. No exercise of any right or remedy shall constitute an election of remedies and preclude exercise of any other right or remedy. LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO JUDICIAL HEARING WITH RESPECT TO REPOSSESSION OF THE EQUIPMENT BY LESSOR IN THE EVENT OF DEFAULT HEREUNDER BY LESSEE.

23. **WAIVER, ETC.** No delay or omission on the part of Lessor in exercising any right hereunder shall operate as a waiver of any such right or of any other right hereunder, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion. Any waiver, permit, consent or approval of any kind or character on the part of Lessor of any breach or default under this Lease, or any waiver on the part of Lessor of any provision or condition of this Lease, must be in writing and shall be effective only to the extent specifically set forth in such writing. Acceptance by Lessor of a rental or other payment at a time when Lessee is in default hereunder shall not constitute a waiver of such default or defaults or of Lessor's right to terminate Lessee's rights hereunder shall not constitute a waiver of such default or defaults or of Lessor's right to terminate Lessee's rights hereunder pursuant to Paragraph 22 hereof. If Lessee, whether with or without the permission of Lessor, remains in possession of any items of Equipment beyond the expiration of the applicable Lease term without such Lease term having been formally extended, Lessee shall be responsible to pay rent at the rate heretofore in effect and shall also remain obligated to perform and observe all other covenants and agreements of Lessee hereunder, but no such retention of possession shall be construed as an extension of said lease term or as a waiver of Lessor's right to repossess said items of Equipment unless expressly agreed to in writing by Lessor.

24. **INDEMNIFICATION.** Lessee assumes liability for, and shall and does hereby indemnify and hold harmless Lessor, its agents, employees, officers, directors, successors and assigns from and against any and all liabilities, claims, costs, and expenses, including reasonable attorneys' fees, of every kind and nature (including, without limitation, for property damage, wrongful death or personal injury and for trademark, patent or copyright infringement) arising out of or relating to the use, condition (including latent and other defects whether or not discoverable by Lessee or Lessor), operation, ownership, selection, delivery, leasing or return of any item of Equipment, regardless of where, how and by whom operated, any failure on the part of Lessee to perform or comply with any conditions of this Lease or any loss by Lessor of the benefit of any accelerated depreciation or Investment Tax Credit, or the right to claim the same, with respect to the Equipment. Without limiting the foregoing, this indemnification shall extend to claims made by any person, including Lessee, its agents and employees, and shall apply whether liabilities, claims, etc., are based on negligence (passive or active) of Lessor or another, breach of warranty, strict liability, products liability or otherwise. The indemnities and assumptions of liabilities and obligations provided for in this paragraph and Lessee's indemnities elsewhere in each lease shall continue in full force and effect notwithstanding the expiration or other termination of each Lease. Lessee is an independent contractor. Nothing contained in each Lease shall authorize Lessee or any other person to operate any item of Equipment so as to incur or impose any liability or obligation for or on behalf of Lessor.

25. **ASSIGNMENT BY LESSEE.** WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR, LESSEE SHALL NOT VOLUNTARILY OR INVOLUNTARILY (A) SELL, ASSIGN TRANSFER, PLEDGE, GRANT A SECURITY INTEREST IN, HYPOTHECATE OR OTHERWISE DISPOSE OF EACH LEASE, THE EQUIPMENT, OR ANY INTEREST IN EACH LEASE OF THE EQUIPMENT; (B) SUBLET OR LEND ANY ITEM OF EQUIPMENT OR ANY PART THEREOF; OR (C) PERMIT ANY ITEM OF EQUIPMENT OR ANY PART THEREOF TO BE USED BY ANYONE OTHER THAN LESSEE'S EMPLOYEES.

Initial fw



26. **FURTHER ASSURANCE:** Lessee hereby agrees and does hereby appoint Lessor or its agents or assigns its true and lawful attorney-in-fact to prepare, execute and sign any instrument or financing statement necessary to protect Lessor's rights, title and interest in the Equipment subject hereto, and to sign the name of the Lessee with the same force and effect as if signed by Lessee, and to file same at the proper location or locations. Lessee further agrees, if Lessor so requests, to execute any instrument necessary to protect Lessor's interest in the Equipment. Lessee agrees to furnish audited financial statements, including a balance sheet and income statement for Lessor's two most current fiscal years and for each subsequent fiscal year that this Lease is in effect, and its most recent quarterly interim financial statement. Any principal of Lessee owning twenty percent (20%) or more of the outstanding capital stock shall provide their two most current years personal tax returns and a personal financial statement to Lessor and shall agree to execute a Guaranty in form acceptable to Lessor.

27. **ATTORNEY FEES.** In the event of any legal action with respect to this Lease, the prevailing party in any such action shall be entitled to reasonable attorney fees, including attorney fees incurred at the trial level, including action in any bankruptcy court, on appeal or review or incurred without action, suits, or proceedings, together with all costs and expenses incurred in pursuit thereof.

28. **NO AGENCY.** LESSEE ACKNOWLEDGES THAT NEITHER THE SUPPLIER NOR ANY SALESMAN, EMPLOYEE, REPRESENTATIVE OR AGENT OF THE SUPPLIER OR ANY FINDER, BROKER, OR EMPLOYEE OR AGENT OF ANY FINDER OR BROKER IS AN AGENT OR REPRESENTATIVE OF LESSOR, AND THAT NONE OF THE ABOVE IS AUTHORIZED TO WAIVE, ALTER OR ADD TO ANY TERM, PROVISION OR CONDITION OF THIS MASTER LEASE OR ANY SCHEDULE HERETO, OR MAKE ANY REPRESENTATION WITH RESPECT TO THIS MASTER LEASE OR ANY SCHEDULE HERETO. Lessee further acknowledges that Lessee, in executing this Lease, has relied solely upon the terms, provisions and conditions contained herein, and any other statements, warranties, or representations, if any, by the supplier, or any salesman, employee, representative or agent of the supplier or any finder, broker, or employee or agent of any finder or broker have not been relied upon by Lessee and shall not in any way effect Lessee's obligation to pay rent and otherwise perform as set forth in this lease.

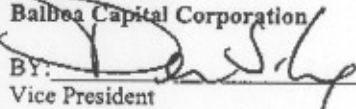
29. **LESSEE'S WARRANTIES.** Lessee represents and warrants to Lessor that (a) Lessee is duly organized, validly existing, and in good standing under applicable state law; (b) Lessee will authorize the signing, delivery and performance of each Lease before signing it; (c) when fully signed and delivered, each Lease will be a legal, valid and binding agreement of Lessee, enforceable against Lessee in accordance with its terms and conditions, and will not violate or create a default under any law, rule, regulation, judgement, order, instrument, agreement or charter document binding on Lessee or its property; (d) no action with any government authority is required for Lessee to enter into this Lease; (e) there are no pending or threatened actions or proceedings before any court or administrative agency that could have a material adverse effect on Lessee's ability to pay Lessor, nor is Lessee in default under any loan, lease or purchase obligation; (f) each Lease will be effective against all creditors of Lessee under applicable law, including fraudulent conveyance and bulk transfer laws; and (g) the financial statements and other information furnished to Lessor are and will be true and correct in all material respects and Lessee will be relying on the information contained therein.

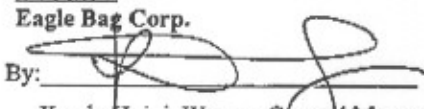
30. **MISCELLANEOUS.** Time is of the essence of each Lease and of each and all of its provisions. Lessor and Lessee agree that any amount which Lessor may recover from Lessee under subparagraph 14 (c) or Paragraph 22 of this Lease represents liquidated damages for the loss of Lessor's bargain and not a penalty. If there is more than one Lessee to this Lease, the liability of each shall be joint and several and any release of or forbearance with respect to one Lessee shall not release any other Lessee. Lessor shall be entitled to specific performance of any and all of its rights under this Lease whether or not an adequate remedy at law exists. LESSEE HEREBY WAIVES TRIAL BY JURY AND THE RIGHT TO INTERPOSE ANY COUNTERCLAIM OR OFFSET OF ANY NATURE OR DESCRIPTION IN ANY LITIGATION BETWEEN LESSEE AND LESSOR WITH RESPECT TO THIS LEASE, THE EQUIPMENT OR THE REPOSSESSION THEREOF. Any action, proceeding, or appeal on any matter related to or arising out of this Lease, Lessor, Lessee and any guarantor or subscriber (i) SHALL BE SUBJECT TO THE JURISDICTION OF THE STATE OF CALIFORNIA, AND CONCEDES THAT IT, AND EACH OF THEM, TRANSACTED BUSINESS IN THE STATE OF CALIFORNIA BY ENTERING INTO THIS LEASE; (ii) SHALL ACCEPT VENUE IN THE COUNTY OF ORANGE STATE OF CALIFORNIA, THIS LEASE IS SUBJECT TO APPROVAL AND ACCEPTANCE BY BALBOA CAPITAL CORPORATION'S FINANCE COMMITTEE AND SHALL NOT BECOME BINDING UPON LESSOR UNTIL EXECUTED BY AN OFFICER OF LESSOR. Such officer shall be the C.E.O., President, C.O.O., or Vice President. No other officer, employee, or agent of Lessor has the authority to waive, alter, or add to any term, provision or condition of this Master Lease and/or each Schedule. Notice thereof is hereby waived by Lessee. By execution hereof, the signer hereby certifies that he has read each Lease and that he is duly authorized to execute each Lease on behalf of Lessee. ANY AMENDMENT TO THIS MASTER LEASE AND/OR SCHEDULE TO BE EFFECTIVE MUST BE IN WRITING SIGNED BY LESSOR AND LESSEE. This lease constitutes the entire agreement between the parties hereto with respect to the leasing of the Equipment.

31. If this document was sent electronically, I 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 documents non-binding and void.

IN WITNESS WHEREOF, the parties have caused this Lease to be duly executed by their respective officers hereunto duly authorized as of the day and year first above written.

ACCEPTED BY:

LESSOR:
Balboa Capital Corporation
BY: 
Vice President

LESSEE:
Eagle Bag Corp.
By: 
Kandy Huiyi Wang, General Manager

DATE: AUGUST 6, 2001

DATE: 6/28/01



Lease Schedule No. 33419-001

BALBOA CAPITAL CORPORATION This Schedule is made as of the Acceptance Date set forth below and is made pursuant to and incorporates by reference each and every term of that certain Master Lease Agreement dated AUGUST 6, 2001 as through fully set forth herein.

| | | | |
|--|---------------------------|-----------------------------|---------------------|
| Lessee Eagle Bag Corp. | | Location of Leased Property | |
| Street 700 Independent Road | | Street | |
| City, State, Zip Code Oakland, CA 94621 | | City | State Zip Code |
| Attention Kandy Huiyi Wang | | Attention | |
| Title General Manager | Phone No. 510-639-7191 | Title | Phone No. |

| ITEM | QUANTITY | DESCRIPTION |
|-----------------|-----------------------|--|
| | | See Exhibit 'A', attached hereto and made a part hereof. |
| BASE TERM 42 | DEPOSIT \$6,717.44 | Deposit to be applied to: First and last monthly rentals; Documentation Fee: 1% of Base Lease Amount |
| | | MONTHLY PAYMENT \$3,358.72 * Plus Sales/Use tax if applicable |

LESSOR:
Balboa Capital Corporation

By: [Signature]
Vice President

LESSEE:
Eagle Bag Corp.

By: [Signature]
Kandy Huiyi Wang, General Manager

Date: AUGUST 6, 2001

Date: 6/28/01



DELIVERY AND ACCEPTANCE CERTIFICATE

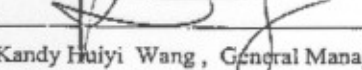
BALBOA CAPITAL CORPORATION
2010 Main Street, 11th Floor
Irvine, CA 92614

The undersigned hereby certifies that all Equipment described below has been delivered and/or installed in good condition and inspected and accepted as satisfactory on JULY 27, 2001
("Commencement Date").

"AS DELINEATED ON EXHIBIT 'A', ATTACHED HERETO AND MADE A PART HEREOF."

It is understood that BALBOA CAPITAL CORPORATION is not responsible for Equipment performance or service and as to the undersigned BALBOA CAPITAL CORPORATION makes no warranty or representation, express or implied, as to any matter whatsoever, including merchantability of the equipment or its fitness for use.

LESSEE: Eagle Bag Corp.

By: 
Kandy Huiyi Wang, General Manager

I hereby authorize _____ to orally verify my/our acceptance of the equipment subject to Lease Agreement LA-33419-001 in my absence.



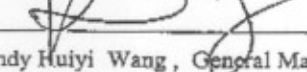
EXHIBIT 'A'

QUANTITY DESCRIPTION

1 6 COLORS FLEXOGRAPHIC PRINTING MACHINE

LA#: 33419-001

LESSEE: Eagle Bag Corp

By:  _____
Kandy Huiyi Wang, General Manager

DATED: 6/28/01



JUL.26.2001 4:37PM BALBOA CAPITAL CORP 415 908 0623

NO.498 P.3

CORPORATE RESOLUTION

At a duly constituted meeting of the Board of Directors of Eagle Bag Corp., the following resolution was unanimously passed:

RESOLVED, that Kandy Huiyi Wang in his/her capacity as General Manager is authorized for, on behalf of and in the name of this Corporation, to negotiate, procure and execute such Lease Agreements and other documents in connection with same, which in his/her opinion are necessary or advisable to effectuate the most favorable interests of the Corporation, 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 said Corporation and have caused the corporate seal of the corporation to be hereunto affixed on 6/28/01.


Secretary

Seal 

Guaranty

In consideration of Balboa Capital Corporation ("Lessor") entering into any Master Lease Agreement, Lease Schedule, or other financial transaction of any kind whatsoever, now or hereafter made with Eagle Bag Corp. ("Lessee"), the undersigned unconditionally guarantees to Lessor, its successors and assigns, the prompt payment, observance, and performance when due of all obligations of Lessee under all Master Lease Agreements, Lease Schedules, financial transactions, and all other agreements related thereto (collectively, "Guaranteed Obligations"), regardless of any invalidity or unenforceability thereof. Capitalized terms not otherwise defined have the meanings specified in the Master Lease Agreement between Lessee and Lessor. Lessor shall not be required to proceed against Lessee or the Equipment or enforce any other remedy before proceeding against the undersigned under this Guaranty. The undersigned agrees to pay to Lessor all attorneys' fees and expenses incurred by Lessor by reason of any default by the Lessee under any agreement relating to Guaranteed Obligations and/or to enforce its rights against the undersigned under the terms of this Guaranty.

The undersigned waives any claim or other right which the undersigned might now have or hereafter acquire against the Lessee or any person that is primarily or contingently liable on the obligations guaranteed hereby or that arise from the existence or performance of the undersigned's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim or remedy of Lessor against the Lessee or any collateral security therefor which Lessor now has or hereafter acquires, whether or not such claim, remedy, or right arises in equity, or under contract, statute, or common law.

The undersigned waives notice of acceptance hereof and all other notices or demands of any kind to which it may be entitled and consents that Lessor may, without affecting the undersigned's liability under this Guaranty, compromise or release, in terms satisfactory to it or by operation of law or otherwise, any rights against Lessee and other obligors and guarantors; grant extensions of time of payment to Lessee; and to the transfer, sale or any other disposition of the Equipment and the Master Lease Agreements and Lease Schedules.

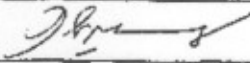
Upon any default by the Lessee in the payment and performance of its obligations under any Master Lease Agreements and Lease Schedules with Lessor, the liabilities and obligations of the undersigned hereunder shall, at the option of Lessor, become forthwith due and payable to Lessor without demand or notice of any nature, all of which are expressly waived by the undersigned.

This is a continuing Guaranty and shall not be discharged or affected by death of the undersigned, shall bind the heirs, administrators, representatives, successors and assigns of the undersigned, and may be enforced by or for the benefit of any assignee or successor of Lessor to the same extent as Lessor may, itself, enforce it. The undersigned hereby consents and submits to the jurisdiction of the respective courts pursuant to the terms of the Master Lease Agreement for enforcement of this Guaranty.

The liability of the undersigned hereunder is direct and unconditional. If there is more than one undersigned, then the liability of the undersigned hereunder shall be joint and several. This Guaranty may be terminated by the undersigned upon sixty (60) days prior written notice to Lessor via certified mail, and such termination shall be effective only as to Master Lease Agreements having their inception after the effective date of termination and shall not affect Lessor's rights under this Guaranty arising out of Master Lease Agreements having their inception prior to such date.

This Guaranty is executed as an instrument under seal, and all acts and transactions hereunder, and the rights and obligations of the parties hereto shall be governed, construed and interpreted according to the laws of the State of California. The undersigned hereby expressly waives the right to a trial by jury.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty or has caused this Guaranty to be executed on its behalf by an officer or other person thereunto duly authorized on 6/28/01.

| | |
|---|---------------|
| X  | |
| Personal Guarantor (no title) | |
| Linmao Wang | June 28, 2001 |
| Name | Date |
| | |
| Home Street Address/City/State/Zip | |
| | |
| Social Security Number | Phone # |

%D398%A34125

Guaranty

In consideration of Balboa Capital Corporation ("Lessor") entering into any Master Lease Agreement, Lease Schedule, or other financial transaction of any kind whatsoever, now or hereafter made with Eagle Bag Corp. ("Lessee"), the undersigned unconditionally guarantees to Lessor, its successors and assigns, the prompt payment, observance, and performance when due of all obligations of Lessee under all Master Lease Agreements, Lease Schedules, financial transactions, and all other agreements related thereto (collectively, "Guaranteed Obligations"), regardless of any invalidity or unenforceability thereof. Capitalized terms not otherwise defined have the meanings specified in the Master Lease Agreement between Lessee and Lessor. Lessor shall not be required to proceed against Lessee or the Equipment or enforce any other remedy before proceeding against the undersigned under this Guaranty. The undersigned agrees to pay to Lessor all attorneys' fees and expenses incurred by Lessor by reason of any default by the Lessee under any agreement relating to Guaranteed Obligations and/or to enforce its rights against the undersigned under the terms of this Guaranty.

The undersigned waives any claim or other right which the undersigned might now have or hereafter acquire against the Lessee or any person that is primarily or contingently liable on the obligations guaranteed hereby or that arise from the existence or performance of the undersigned's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim or remedy of Lessor against the Lessee or any collateral security therefor which Lessor now has or hereafter acquires, whether or not such claim, remedy, or right arises in equity, or under contract, statute, or common law.

The undersigned waives notice of acceptance hereof and all other notices or demands of any kind to which it may be entitled and consents that Lessor may, without affecting the undersigned's liability under this Guaranty, compromise or release, in terms satisfactory to it or by operation of law or otherwise, any rights against Lessee and other obligors and guarantors; grant extensions of time of payment to Lessee; and to the transfer, sale or any other disposition of the Equipment and the Master Lease Agreements and Lease Schedules.

Upon any default by the Lessee in the payment and performance of its obligations under any Master Lease Agreements and Lease Schedules with Lessor, the liabilities and obligations of the undersigned hereunder shall, at the option of Lessor, become forthwith due and payable to Lessor without demand or notice of any nature, all of which are expressly waived by the undersigned.

This is a continuing Guaranty and shall not be discharged or affected by death of the undersigned, shall bind the heirs, administrators, representatives, successors and assigns of the undersigned, and may be enforced by or for the benefit of any assignee or successor of Lessor to the same extent as Lessor may, itself, enforce it. The undersigned hereby consents and submits to the jurisdiction of the respective courts pursuant to the terms of the Master Lease Agreement for enforcement of this Guaranty.

The liability of the undersigned hereunder is direct and unconditional. If there is more than one undersigned, then the liability of the undersigned hereunder shall be joint and several. This Guaranty may be terminated by the undersigned upon sixty (60) days prior written notice to Lessor via certified mail, and such termination shall be effective only as to Master Lease Agreements having their inception after the effective date of termination and shall not affect Lessor's rights under this Guaranty arising out of Master Lease Agreements having their inception prior to such date.

This Guaranty is executed as an instrument under seal, and all acts and transactions hereunder, and the rights and obligations of the parties hereto shall be governed, construed and interpreted according to the laws of the State of California. The undersigned hereby expressly waives the right to a trial by jury.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty or has caused this Guaranty to be executed on its behalf by an officer or other person thereunto duly authorized on 6/28/01.

| | |
|------------------------------------|---------------|
| X | |
| Personal Guarantor (no title) | |
| Kandy Huiyi Wang | June 28, 2001 |
| Name | Date |
| Home Street Address/City/State/Zip | |
| | |
| Social Security Number | Phone # |



Guaranty

In consideration of Balboa Capital Corporation ("Lessor") entering into any Master Lease Agreement, Lease Schedule, or other financial transaction of any kind whatsoever, now or hereafter made with Eagle Bag Corp. ("Lessee"), the undersigned unconditionally guarantees to Lessor, its successors and assigns, the prompt payment, observance, and performance when due of all obligations of Lessee under all Master Lease Agreements, Lease Schedules, financial transactions, and all other agreements related thereto (collectively, "Guaranteed Obligations"), regardless of any invalidity or unenforceability thereof. Capitalized terms not otherwise defined have the meanings specified in the Master Lease Agreement between Lessee and Lessor. Lessor shall not be required to proceed against Lessee or the Equipment or enforce any other remedy before proceeding against the undersigned under this Guaranty. The undersigned agrees to pay to Lessor all attorneys' fees and expenses incurred by Lessor by reason of any default by the Lessee under any agreement relating to Guaranteed Obligations and/or to enforce its rights against the undersigned under the terms of this Guaranty.

The undersigned waives any claim or other right which the undersigned might now have or hereafter acquire against the Lessee or any person that is primarily or contingently liable on the obligations guaranteed hereby or that arise from the existence or performance of the undersigned's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim or remedy of Lessor against the Lessee or any collateral security therefor which Lessor now has or hereafter acquires, whether or not such claim, remedy, or right arises in equity, or under contract, statute, or common law.

The undersigned waives notice of acceptance hereof and all other notices or demands of any kind to which it may be entitled and consents that Lessor may, without affecting the undersigned's liability under this Guaranty, compromise or release, in terms satisfactory to it or by operation of law or otherwise, any rights against Lessee and other obligors and guarantors; grant extensions of time of payment to Lessee; and to the transfer, sale or any other disposition of the Equipment and the Master Lease Agreements and Lease Schedules.

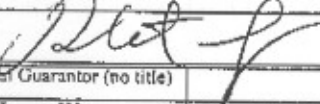
Upon any default by the Lessee in the payment and performance of its obligations under any Master Lease Agreements and Lease Schedules with Lessor, the liabilities and obligations of the undersigned hereunder shall, at the option of Lessor, become forthwith due and payable to Lessor without demand or notice of any nature, all of which are expressly waived by the undersigned.

This is a continuing Guaranty and shall not be discharged or affected by death of the undersigned, shall bind the heirs, administrators, representatives, successors and assigns of the undersigned, and may be enforced by or for the benefit of any assignee or successor of Lessor to the same extent as Lessor may, itself, enforce it. The undersigned hereby consents and submits to the jurisdiction of the respective courts pursuant to the terms of the Master Lease Agreement for enforcement of this Guaranty.

The liability of the undersigned hereunder is direct and unconditional. If there is more than one undersigned, then the liability of the undersigned hereunder shall be joint and several. This Guaranty may be terminated by the undersigned upon sixty (60) days prior written notice to Lessor via certified mail, and such termination shall be effective only as to Master Lease Agreements having their inception after the effective date of termination and shall not affect Lessor's rights under this Guaranty arising out of Master Lease Agreements having their inception prior to such date.

This Guaranty is executed as an instrument under seal, and all acts and transactions hereunder, and the rights and obligations of the parties hereto shall be governed, construed and interpreted according to the laws of the State of California. The undersigned hereby expressly waives the right to a trial by jury.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty or has caused this Guaranty to be executed on its behalf by an officer or other person thereunto duly authorized on 6/28/01.

| | |
|---|---------------|
| X  | |
| Personal Guarantor (no title) | |
| Chin Long Wang | June 28, 2001 |
| Name | Date |
| Home Street Address/City/State/Zip | |
| | |
| Social Security Number | Phone # |



ADDENDUM I
UCC 2A SUPPLIER(S) DISCLOSURE

This addendum is to be attached to and made a part of that Master Lease Agreement No. LA-33419-001 by and between BALBOA CAPITAL CORPORATION as Lessor, and, Eagle Bag Corp. as Lessee(s). Lessee acknowledges it may have rights under any Purchase Agreement with the supplier/vendor(s) and may contact the supplier/vendor(s) for a description of any such rights.

The following are the supplier/vendor(s) in the above transaction.

| # | Name | Address |
|---|--|----------|
| | REY LONG MACHINERY INDUSTRIAL CO., LTD | TAWAIIAN |

LESSEE: Eagle Bag Corp.

By: _____

Kandy Huiyi Wang, General Manager



DISCLAIMER OF OWNERSHIP

The undersigned (the "Lessee") proposes to be the Lessee of certain equipment from Balboa Capital Corporation ("Lessor") pursuant to a Lease Agreement, LA# 33419-001 dated, AUGUST 6, 2001 between Lessor and Lessee ("Lease"). The equipment covered by the Lease is hereinafter referred to as the "Equipment".

The Equipment will be purchased by Lessor from REY LONG MACHINERY INDUSTRIAL, (the "Vendor(s)"). Lessee has made full/partial payment to the Vendor as part of the original purchase order, and it is contemplated that, upon Lessor's receipt of all necessary documentation and satisfaction of all conditions to Lessor entering into the Lease, Lessor shall reimburse Lessee and receive a bill of sale from the Vendor covering 100% interest in the Equipment.

The Lessee, being satisfied that its payments under the Lease are based only upon Lessor's payment to Vendor and not Lessee's payment, hereby consents to the Vendor transferring the entire ownership in the Equipment to Lessor, and, effective on the actual transfer of the Equipment to Lessor, disclaims any ownership interest or rights in the Equipment except those the Lessee has by virtue of being the Lessee under the Lease.

LESSEE:

Eagle Bag Corp.

By: 

Kandy Huiyi Wang, General Manager

DATE: 6/28/01

UCC1 ADDENDUM

The undersigned hereby authorizes BALBOA CAPITAL CORPORATION to file a National Financing Statement (Form UCC1) stating:

Debtor hereby grants Lender a security under the Uniform Commercial Code in all equipment, inventory, general intangibles, chattel, and instruments owned in whole or part by Debtor whether now owned or hereafter acquired, whether now existing or hereafter arising and wherever located. (collectively the "Collateral" and individually an "Item" or "Item of Collateral"). Such security interest is granted to secure performance by Debtor of its obligations thereunder and under any other present or future agreement with Lender. Debtor shall insure that such security interest is and shall remain a perfected security interest.

~~Eagle Bag Corp.~~

By: 

Kandy Huiyi Wang, General Manager

Date: 6/28/01

Agreement # 33419-001